WORKING CAPITAL FUND

U.S. DEPARTMENT OF ENERGY

FISCAL YEAR 2002: ANNUAL REPORT

Office of Management, Budget, and Evaluation

November, 2002

Table of Contents

Page

November, 2002

Message from the Fund Manager

FY 2002 Report It is our pleasure to provide the DOE community with this sixth annual report of the Working Capital Fund, summarizing the FY 2002 performance of the Fund businesses and the overall financial condition of the Fund. The legislation authorizing the Fund established "economy and efficiency" as key goals; these goals are being met and the Fund is positioned to continue high performance in the future.

Business Performance

The 12 businesses in the Fund provide support for DOE mission programs in ways that are not highly visible to customers. Comfortable and safe working conditions, a dial tone, and a timely and accurate paycheck – these are a few examples of support that we may take for granted but which requires hard work by dedicated Federal employees and contractors.

It was a pleasure to conduct the annual performance reviews of the businesses this year. Working with the Board and customers, business line officials made major security improvements in response to terrorist threats recognized after "9/11", including mail screening for anthrax contamination, public announcement system installation, enhanced computer virus protection services, and the like. The Contract Closeout business exceeded its goals (again); the new Online Learning Center broke even in its first self-financed year while expanding its offerings; the Building Occupancy improvement program has made progress, including the start on renovations of Forrestal restrooms; the Copying business has modernized toward digital technology; the Payroll business readied itself for cost savings from outsourcing; DOENet costs are being substantially reduced; Network availability rates have remained high; and the Fund staff (Bob Emond, Roscoe Harris, and Diane Cane) collaborated with the business lines and with the Capital Accounting Center (George Tengan and Kathy Schanck) to extend their "streak" of on-time billing to 34 months.

These and other accomplishments are set forth in the "balanced scorecard" performance narratives submitted by the businesses and included in this report. What the reports do not fully reveal, however, is the high degree of cooperation between business line officials, customers, Board members, and the Fund staff. The Fund is a "network" style organization that depends of the free flow of information (and money) between participants. An Environmental Protection Agency survey this year of Federal working capital funds identified our Fund at DOE as the one with the highest emphasis on communication between suppliers and customers. Sustaining the cooperation and trust of participants will be an important ingredient for future success.

Financial Condition

The financial condition of the Fund is sound. Over the six years of Fund operation, earnings ($506 million) have exceeded expenses by $2 million -- a narrow margin of less than one half of one percent. This reflects a $9 million write-down of Telephone assets during FY 2002 that created an apparent net loss in that year but had no effect on the liquidity of the business. The Board needs to address cost pressures in the Mail business for FY 2003, and customers face some uncertainty due to the delays in enacting final FY 2003 appropriations. Otherwise, our review has not revealed any major issues, and we believe that, in FY 2003, the Fund and its businesses will be able to:

- Continue normal business operations, including security enhancements;
- Finance the outsourcing of the Payroll to the Defense Finance and Accounting Service;
- Complete the building improvement projects started in FY 2002; and
- Invest in digitization capabilities to accommodate the move away from paper storage of documents.

Our financial statements include some balance sheet items that require interpretation, and we intend to create a Board working group to review our current practices in management of balances. Going into FY 2003, two balance sheet items are especially noteworthy:

- We have an unusually high level of unexpended customer advances, which we treat as both assets and liabilities. These advances represent 1-2 months worth of customer pre-financing of requirements, which appears in line with the uncertain timing of FY 2003 appropriations. Nevertheless, the Board may wish to establish guidelines on when the Fund Manager should accept such advances.

- We have a Net Position of $22 million that includes cash of over $20 million. This cash position is derived from three basic sources:

    - The $2 million in net earnings of the Fund over the past six years;
    - Approximately $5 million in cash contributions, primarily from the ME organization, including funds identified for Payroll system conversion investments; and
    - A net of $13 million in capital transactions, reflecting the use of $15 million in earnings to pay depreciation expenses and $2 million in capitalized value of equipment purchases.

The $20 million is not a flexible cash reserve, because 80% was obligated on contracts at year-end. In particular, we have recognized as "earned" the revenues authorized for collection by the Board to finance building improvements, even though the improvements have not been completed or expensed. The Board working group referred to above will be asked for advice on how to portray the composition of these cash reserves, to avoid misinterpretation.

Looking ahead to FY 2003, we need to deal with a number of key issues and developments, as follows:

- The Board needs to address the pricing policy options that the Mail business line working group has identified.
- The Board needs to continue to work with the Payroll business on outsourcing arrangements.
- We are moving toward fully electronic billings that provide customers the opportunity to "drill down" and obtain more data than in the past, using MSExcel pivot tables, and this will require feedback from customers.
- We need to conduct refresher training for business line financial officials in the business financial reporting and performance measurement concepts.

H G Borgstrom

Howard G. Borgstrom
Fund Manager (ME-15)

Financial Statements of the Working Capital Fund

Relation of Earnings to Expenses

The Fund earned $5.5 million less than expenses in FY 2002, because of a write down in Telephone assets. The Fund has reported net earnings of $1.9 million over FY 1997-2002, or approximately 0.4% of earnings over the six-year period. As Table I illustrates, results varied substantially among businesses, but the overall result for the first six years has been substantially a breakeven situation, in line with congressional and departmental policies.

Table I: FY 2002 Year End Business Results
(dollars in millions)

	Earnings	Expenses	Net Earnings FY 2002	Net Earnings FY 97 – 02
PAPERCLIPS	$ 3.3	$ 3.3	$ 0.0	$ -1.1[1]
Mail	2.0	2.4	-0.4	-0.5
Copying	2.0	3.1	-1.1	0.2
Printing & Graphics	3.2	3.2	0.0	0.6
Bldg Occupancy	56.7	55.1	1.6	8.6
Phones	6.8	14.3	-7.5	-8.6
Desktop	1.2	1.2	0.0	-0.3
Network	6.2	6.1	0.1	0.4
Contract Closeout	0.7	0.7	0.0	0.3
Payroll Services	3.1	1.6	1.5	2.0
CHRIS	2.2	1.9	0.3	0.3
OLC	0.3	0.3	0.0	0.0
EIS	0.0	0.0	0.0	0.0
Total	$ 87.7	$ 93.2	$ -5.5	$ 1.9

The Telephone Business Line was charged $9.3 million depreciation expense for the write-down in the value of physical assets that were transferred into the Fund at its inception in FY 1997. Although Table I above indicates that net earnings for Telephone services over six years have been negative (-$8.6 million), this balance does not represent a cash loss for that period. Rather, it is a "book loss" caused by the accounting recognition of depreciation expenses without corresponding revenues to offset such costs. The write-off makes the asset life consistent with GSA guidance,

[1] Financial results for PAPERCLIPS also include the predecessor organization's cumulative net losses of $1.1 million.

and this has no adverse implications for the underlying, long-term financial stability and viability of the business.

Key factors explaining earnings/expense variations of over $50,000 follows:

The **Mail** business line earned $0.4 million less than expenses in FY 2002, due to increased contract labor costs for internal mail delivery. The Fund Manager appointed a working group to look into this and other business line issues and the working group is preparing to address the Board at its next meeting.

The **Copy** business line earned $1.1 million less than expenses, in part because the business under-accrued for its copier lease by $0.4 million in FY 2001, which invoices were paid in early FY 2002. Also in FY 2002, the business purchased $0.5 million in new digital copiers that are not capitalized, but are financed from past net earnings. Finally, the business incurred $0.2 million non-cash capital expenses related to copiers capitalized in prior years and traded in for the new copiers. The Board action in FY 2002 that enables the business to sell new services is expected to restore the business to financial health during FY 2003.

The **Building Occupancy** business line earned $1.6 million in excess of expenses. Of this amount, $0.6 million is overstated due to inadequate accruals by the business line; these costs will be charged during FY 2003. Most of the net earnings ($8.6 million) in this business are committed to construction projects and cannot be redirected to other uses or refunded to customers. The balance of the net earnings has been used to forward fund utility and maintenance contracts. The Fund Manager is reviewing the policy of earning revenue on construction projects for which completion will occur in a future fiscal year.

The **Telephone** business line earned $1.8 million net operating profit due primarily to one time infrastructure cost reductions and local rate reductions. This operating result was offset by a capital charge of $9.3 million discussed above. The one-time cost reductions will not recur in FY 2003, so the Fund Manager is not proposing a pricing policy change for next year.

The **Network** business line earned $0.1 million in excess of expenses. This is due to cost reductions related to DOEnet.

The **Payroll** business line earned $1.6 million in excess of expenses. This profit was anticipated and discussed with the Board in the Third Quarter Review. The business manager determined that the PeopleSoft payroll product could not be implemented successfully and avoided related implementation expense. Due to the possibility of outsourcing payroll and related implementation expense, the Board voted to keep the equity in the business for FY 2003.

The **CHRIS** business line earned $0.2 million in excess of expenses. This is due to charging expenses at the beginning of the fiscal year to uncosted balances in prior year accounts from before the business was transferred into the Fund.

Pricing Policy

Pricing policy changes are needed for the Mail Business Line based on the report of the Mail Working Group. Further, the Board has not yet acted on the proposed infrastructure rate changes for the Telephone and Network businesses, even though the proposed revisions have been incorporated into FY 2004 budget projections. Finally, we expect that once we know more about actual expenses related to payroll outsourcing, there would be an opportunity for a downward pricing policy change.

Relation of Customer Payments to Anticipated Customer Billings

By the end of FY 2002 all customers had made advances equal to or greater than actual billings. The surplus advances are available to customers for FY 2003 billings. In the beginning of FY 2003, this carryover financed the first eight weeks of operations in the absence of appropriations.

Table II. Comparison of Advances to Billings
(dollars in millions)

	Advances	Billings	% Collected
Supplies	$5.0	$ 3.3	152%
Mail	2.8	2.0	140%
Copying	3.7	2.0	185%
Printing & Graphics	3.8	3.2	119%
Bldg Occupancy	60.4	56.7	107%
Phones	8.4	6.8	124%
Desktop	1.5	1.2	125%
Network	7.7	6.2	124%
Contract Closeout	1.2	0.7	171%
Payroll Services	5.3	3.1	171%
CHRIS	2.9	2.2	132%
OLC	0.3	0.3	100%
EIS	0.0	0.0	0%
Indirect	0.5	0.0	100%
Total	$103.5	$ 87.7	118%

Relation of Payments to Obligations by Business Line

There have been no violations of administrative control of funds procedures by Working Capital Fund business lines.

At the end of FY 2001 the fund had received advances of $9.8 million in excess of obligations. For FY 2002 we received a further $93.7 million in customer advances for a cumulative availability of $103.5 million, as shown in Table II.

Overall, businesses are carrying $17.7 million in unobligated customer advances into FY 2003. It should be noted that these balances are not unencumbered assets, in the sense that there are offsetting service delivery liabilities ($12.3 million) associated with customer advances.

Balances set forth by the business lines below exclude amounts available to the Fund Manager for training and contractual services, as contributed by ME.

Table III: FY 2002 Annual Business Results: Federal Agency Basis
(dollars in millions)

	Unobligated Balance 10/01	Current Year Customer Advances	Total Allotted to Businesses	Obligations	Unobligated Balances 9/02
Supplies	$1.1	$3.9	$4.8	$3.2	$1.8
Mail	0.7	2.2	2.7	2.4	0.4
Copying	1.5	2.2	3.5	2.9	0.8
Printing & Graphics	0.6	3.2	3.4	3.2	0.5
Bldg Occupancy	1.8	58.6	56.8	56.8	3.6
Phones	0.3	8.1	7.3	5.2	3.2
Desktop	0.2	1.3	1.3	1.2	0.3
Network	0.5	7.2	6.2	5.7	2.0
Contract Closeout	0.3	0.9	1.0	0.9	0.3
Payroll Services	2.2	3.1	5.2	1.6	3.7
CHRIS	0.0	2.9	2.9	2.1	0.8
OLC	0.0	0.3	0.3	0.3	0.1
EIS	0.0	0.0	0.0	0.0	0.0
Indirect	0.6	(0.1)	0.3	0.3	0.2
Total	$9.8	$93.7	$95.7	$85.8	$17.7

Changes in Budget Estimates

As shown in Table IV.a, the original FY 2002 estimate (May 2000) for the Working Capital Fund overall was $82.8 million. The $3.5 million increase in the December 2000 estimate (for the FY 2002 Congressional Budget) was the result of adding DOEnet charges and other small incremental increases that resulted during budget execution.

Once these adjustments were made, the budget has remained stable. As of the end of FY 2002, actual fiscal year billings for all business lines totaled $87.7 million. Final costs for FY 2002 were within $1.4 million (1.6%) of the Congressional Budget Request. During FY 2002 usage declined in mail, copy, and printing and graphics, offset by increases in building alterations, and price increases for mail security and desktop virus protection as approved by the Board in the April Board Meeting.

Table IV.a. FY 2002 Budget Estimates for WCF Businesses

Date	Process	FY 2002 Billing Estimate ($Millions)
May 2000	FY 2002 Corporate Review	$82.8
December 2000	FY 2002 Congressional Budget	$86.3
May 2001	FY 2003 Corporate Review	$86.2
December 2001	FY 2003 Congressional Budget	$86.2
October, 2002	FY 2002 Final WCF Bill	$87.7

Customer Detail of Budget Estimates

The Fund staff provides guidance to program customers at various stages in the budget process. While recognizing that customer organizations can make decisions to increase or decrease their use of services, we seek to provide reliable forecasts of spending patterns.

Table IV.b. analyzes the absolute dollar and percentage variation by customer between the estimates associated with the FY 2002 column of the FY 2002 Request to Congress and the actual billings. Seven program customers experienced differences **(in bold)** of 10% or more this year. Nuclear Energy, Civilian Radioactive Waste Management, and Worker Transition reduced their consumption generally across all business lines by 10% each. National Nuclear Security Administration (NNSA), Counterintelligence, Intelligence, and the Security Offices approved building alterations, which accounted for increased spending. Energy Efficiency increased spending in network, supplies, and printing.

Table IV.b: FY 2002 Budget Estimate Accuracy by Customer
(dollars in thousands)

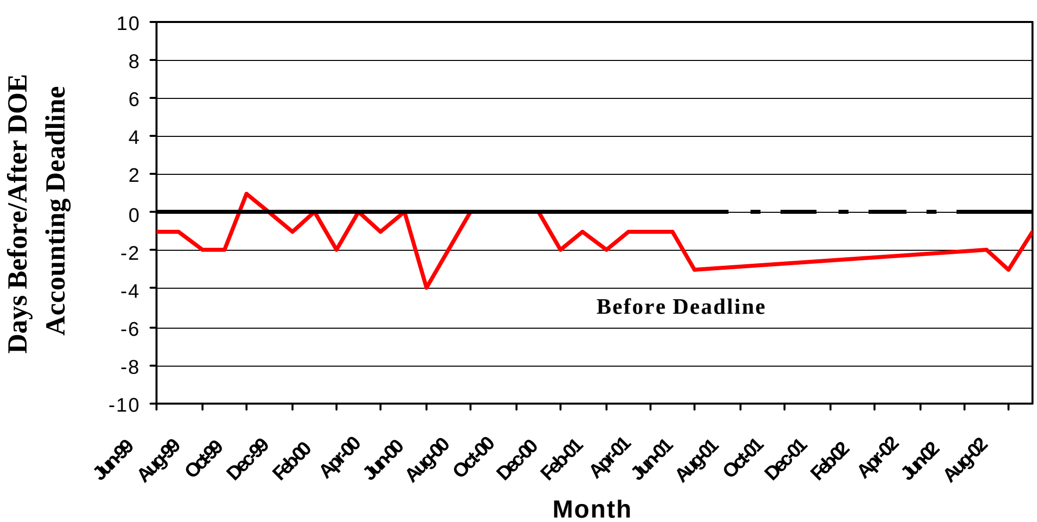
	FY 2002 Congressional Budget	FY 2002 Actual Billings	Absolute Change	Absolute Change %
Secretary of Energy Advisory Bd	$ 217	$ 217	$ -	0%
Board of Contract Appeals	240	230	10	4%
Bonneville Power Administration	159	147	12	8%
Cong. & Intergov'l Affairs	698	706	8	1%
Counterintelligence	800	953	153	**19%**
Energy Assurance	-	37	37	N/A
Economic Impact and Diversity	720	730	10	1%
Energy Efficiency	5,801	6,409	608	**10%**
Environment, Safety, and Health	4,525	4,579	54	1%
Energy Information Admin	7,276	7,147	128	2%
Environmental Management	7,628	7,264	364	5%
Emergency Operations	1,718	1,813	95	6%
Fossil Energy	3,513	3,483	30	1%
General Counsel	2,750	2,642	108	4%
Hearings and Appeals	1,061	976	85	8%
Inspector General	1,840	1,710	130	7%
Chief Information Officer	4,533	4,533	0	0%
Intelligence	1,086	1,548	463	**43%**
Management and Administration	15,237	14,562	675	4%
National Nuclear Security Admin:	9,443	11,290	1,846	**20%**
Nuclear Energy	1,647	1,487	160	**10%**
Naval Reactors	286	291	5	2%
Oversight & Perf. Assurance	458	473	15	3%
Public Affairs	855	832	23	3%
Policy and International Affairs	1,624	1,668	44	3%
Civilian Radioactive Waste Mgmt	1,444	1,284	159	**11%**
Office of the Secretary	875	804	71	8%
Science	4,404	4,121	282	6%
Security & Emergency Operations	3,829	4,229	400	**10%**
WAPA/SWPA/SEPA	1,262	1,163	99	8%
Worker Transition	381	340	41	**11%**
Total	86,309	87,696	6,143	7%

Financial Management Systems

On September 24, 1999, the Inspector General conducted its most recent periodic audit of the Working Capital Fund, concluding, "The Fund was operated in compliance with the required administrative controls, used performance measures appropriately, and implemented actions to correct problems identified in the prior period where feasible." The audit did not make any recommendations.

The WCF billing system continued to successfully produce timely and accurate monthly bills. The chart below indicates the billing performance related to transferring customer-billing information to DISCAS by the fifth working day of the month. This allows the Fund staff, with the cooperation of CFO officials, to have the billings entered into DISCAS each month before the accounts are closed. A minus two (-2) indicates that billing was forwarded two days before the deadline. This standard provides customers with costs reported in DISCAS in the same month they occur. The time between the end of the month and the issuance of the bill is extremely consistent. Process improvements that would result in timesaving are no longer meaningful.

WCF Billing Performance



The Fund Manager analyzed Working Capital Fund capital assets in FY 2002 in order to rationalize these assets and determine the liability related to funding their replacement. The capital plan highlighted requirements for telephone switches, new copiers, and software and hardware requirements of Payroll and CHRIS businesses. Our capital requirements could likely decline in the future as technology improvements decrease computing and communication infrastructure costs. We expect current earnings should be adequate to finance current capital requirements.

Financial Analysis

The previous sections address the key financial questions that the Board asked the Fund Manager to address in the December 1998 procedures. Specifically, Section V.A.(3) (a) identified the following matters to be addressed in each quarterly report, to include the annual report:

i. Relation of earnings (billings) to expenses (accrued costs) by business line;

ii. Relation of payments (advances) by customer to current and anticipated annualized billings under current pricing policies, with a discussion of material balances or deficiencies;

iii. Relation of payments (advances) to obligations by business line;

iv. Changes in budget estimates, by business line and customer, from previously published estimates;

v. Anticipated need to change billing of WCF costs or to make substantial changes in operating levels."

This list of key topics from the 1998 procedures forms the basis for the tables in the previous sections, linked primarily to matters addressed either in a business income statement or in a governmental administrative-control-of-funds. Each of these topics remains important today, but new topics need to be addressed as the Fund starts into its 7th year of operation. In particular, there is important information in the financial balance sheet that should be considered by the Board in interpreting the financial condition of the Fund. Table V provides the WCF balance sheets for the past two fiscal years, accompanied by a discussion of some of the major developments.

Balance Sheet Variables

Total Assets

Although the original legislation for the Fund authorized appropriations to support operations, no such explicit "cash corpus" has ever been appropriated. Rather, the assets of the Fund consisted of equipment and inventories of Fund businesses, unexpended balances of obligations on contracts, and transfers of contributed capital into the Fund from the parent organizations of the specific businesses. As Fund operations commenced, two further types of assets were added: the cash advance payments of customers and the net profits of Fund operation.

During FY 2002, Total Assets of the Fund only increased by $0.3 million, but the composition of the balances shifted. The value of Capital Equipment declined by $9.9 M largely due to the write-off of telephone capital equipment. Concurrently, cash assets increased by $10.3 million due in part to increased customer advances ($6.0 M) and cash generated from inventory sales and business operating profits ($4.3 M). Capital equipment is declining as a result of technology improvements that decrease infrastructure costs. Software and equipment replacement costs are either below the revised threshold for capitalization or far less expensive to acquire.

Table V. WCF Balance Sheet FY 2002/FY 2001($ Thousands)

		As of September 30, 2002		As of September 30, 2001	
ASSETS:					
	Fund Balance with Treasury		**$ 48,197**		**$ 37,455**
	Accounts Receivable, Net		**11**		**561**
	Advances and Prepayments		**134**		**156**
	Supplies Inventory		**179**		**168**
	Original Purchase Price	**20,897**		**22,193**	
	LESS: Accum Depreciation	**19,217**		**10,589**	
	Property and Equip, Net		**1,680**		**11,604**
TOTAL ASSETS:			**$ 50,201**		**$ 49,944**
LIABILITIES:					
	Accounts Payable		**$ 15,194**		**$ 15,355**
	Unearned Customer Advances		**12,324**		**6,261**
	Contract Holdbacks		**195**		**156**
TOTAL LIABILITIES:			**27,713**		**21,772**
NET POSITION:					
	Invested Capital		**18,545**		**18,545**
	Cum Results of Operations		**3,943**		**9,627**
TOTAL NET POSITION:			**22,488**		**28,172**
TOTAL LIABILITIES AND NET POSITION:			**$ 50,201**		**$ 49,944**

<u>Liabilities</u>

Liabilities consist primarily of two factors. Accounts Payable represent the value of goods and services already consumed by the Fund businesses but for which vendor invoices have not yet been paid. The level of Accounts Payable has remained relatively stable since the Fund was created. The second major element is termed “Unearned Customer Advances.” These amounts have been obligated and paid into the Fund from program customer appropriations but have not been "earned" by the businesses pursuant to Board pricing policies. Consequently, the Fund either needs to perform the services to those customers or return the funds. Such Unearned Customer Advances increased by $6.0 million as a result of customer advances carried over to finance the first quarter of FY 2003.

Net Position

Net Position is the difference between Total Assets and Liabilities, and represents a measure of the Department's equity in the Fund. When the Fund was created, this net position was reflected primarily in the value of equipment and inventories. Two major components at that time were the value of the Telephone switch, which was being depreciated on a 30-year life, and the value of the Supplies inventory. However, with the sale of the Supplies inventory to PAPERCLIPS and the write-off in FY 2002 of the Telephone assets, the level and composition of the Net Position have changed. Specifically, the level declined by nearly $6 million in FY 2002 by the amount of the Telephone asset write-off, offset by the operating profit of other businesses, and the composition shifted such that over $20 million of the Net Position is reflected as cash, rather than as equipment or inventory.

The derivation of this cash component of Net Position can be summarized as follows:

- Net Earnings of $2 million for the first 6 years of the Fund;
- Recording of $15 million in depreciation over the life of the Fund, a non-cash charge that is offset by $2 million in capitalized costs of equipment; and
- Contributed Capital of $5 million, including $2 million from the CFO for the Payroll business, $0.3 million from the CIO to support the Desktop business, and the remainder in the form of contract balances transferred in from the former Management and Administration organization.

At the end of FY 2002, this cash balance is reflected in the Department's accounts as $16 million in uncosted obligations on contracts and $4 million in unobligated balances. In terms of business lines, $10 million is associated with the Building Occupancy business ($6 million on unfinished improvement projects and $4 million on operating contracts), and another $4 million is earmarked to support the planned outsourcing of Payroll operations to DFAS.

Business Line Annual Reports

The following section contains Annual Reports for each Fund business including operating performance, business trends, accomplishments, and a financial overview. This section provides specific details related to each business and provides background information that supports the Fund's financial performance. This business specific information updates descriptions of Fund businesses in the "Blue Book". For additional information about the individual businesses, their planning, strategies, and performance measures go to the Fund's Website at www.ma.mbe.doe.gov/wcf .

Supply Business Line
FY 2002 Annual Report

Financial Summary	FY 2002 Earnings *(millions)*	FY 2002 Expenses *(millions)*	Net Earnings FY 2002 *(millions)*	Net Earnings FY 1997-2002 *(millions)*
PAPERCLIPS	$3.3	$3.3	$0	$0[1]

Background

PAPERCLIPS operates two main stores and one satellite self-service store, which carry a wide variety of consumable office products. The supply business also obtains non-stocked items for customers. Our customers are employees of the Department's program offices. The offices are then billed for employee purchases.

Defining Success

This business supports the DOE Headquarters programs by providing, from a convenient location, basic office supplies necessary for employee desktop productivity. Because of the contractual nature of DOE's relationship with the service provider the measures of success are customer demand and customer satisfaction. Customer demand is measured by continuing purchases. Customer satisfaction can be measured by surveys. We are deciding whether to survey customers in FY 2003

Financial Overview

PAPERCLIPS financial performance should always break-even, since billings to customers equal costs to the DOE. Performance for FY 2002 was breakeven. [1]

Business Line Official

Virginia Bitler 202-586-1619

---

[1] Financial results for PAPERCLIPS reflect only the performance since this organization took over the stores in FY 2001. The predecessor organization's cumulative net losses of $1.1 million are excluded.

1

Mail Services Business Line
FY 2002 Annual Report

Financial Summary

FY 2002 Earnings *(millions)*	FY 2002 Expenses *(millions)*	Net Earnings FY 2002 *(millions)*	Net Earnings FY 1997-2002 *(millions)*
$2.0	$2.4	-$0.4	-$0.5

FY 2002 Achievements

- Identified several technologies for sanitizing mail at the Germantown and Forrestal Mail Centers in order to increase the safety and security of Mail Center staff and mail operations. These include monthly swabbing of the mailrooms for bio-contaminants, irradiation of incoming first class mail, and daily sampling and analysis of incoming mail. Additional solutions are being considered such as installation of a negative pressure room in the Forrestal Mail Center.

- A new task order was issued on the current NISH mail services contract to include EM Program Office mail operations. Six additional contractor employees were added to support EM's requirements.

- A Department-wide *Mail Management and Mail Security Report*, required by a GSA Interim Rule published in the *Federal Register* on June 6, 2002 was developed and forwarded to GSA. Mail Managers for all federal DOE facilities were identified and submitted reports to Headquarters.

  The Germantown mailing address was eliminated and all Headquarters mail is being sent to the Forrestal mailing address in an effort to ensure the safety of the mail against bio-terrorist attack.

- The list of Zip Plus Four mail codes was modified to identify Headquarters building locations to speed up the delivery of incoming mail from the U. S. Postal Service.

- Participated on an Interagency Payment Committee sponsored by the GSA, U. S. Postal Service and U. S. Treasury Department. The Committee wants to identify the most efficient mechanism to pay for postage using the commercial payment model and wants DOE's feedback as one of the first agencies to convert to commercial mailers.

Background

The Mail Services Business Line was part of the original Fund in FY 1997. The purpose of the Business Line is to provide the highest possible level of DOE customer satisfaction with mail operation, within the limits of the Working Capital Fund. The DOE Mail Center provides a variety of mail services for all official and other authorized mail for DOE and its employees. These services include the processing of all incoming postal mail, outgoing official mail, internal mail processing, and special services including accountable mail processing, pouch mail, a variety of overnight express mail services, directory services, and pick-up and delivery services. Mail Centers are found at the following locations:

- Forrestal Building—Room GL-084:
  1000 Independence Avenue, SW
  Washington, DC 20585
- Germantown Building—Room E-066:
  19901 Germantown Road
  Germantown, MD 20874
- 270 Corporate Center—Room 1003:
  20300 Century Boulevard
  Germantown, MD 20874

A mix of Federal and contractor staff performs these functions. Program offices are charged for mail services based on the number of Mail Stops at the start of the fiscal year in their Headquarters offices that report to their Administrative Officer (AO).

Defining Success

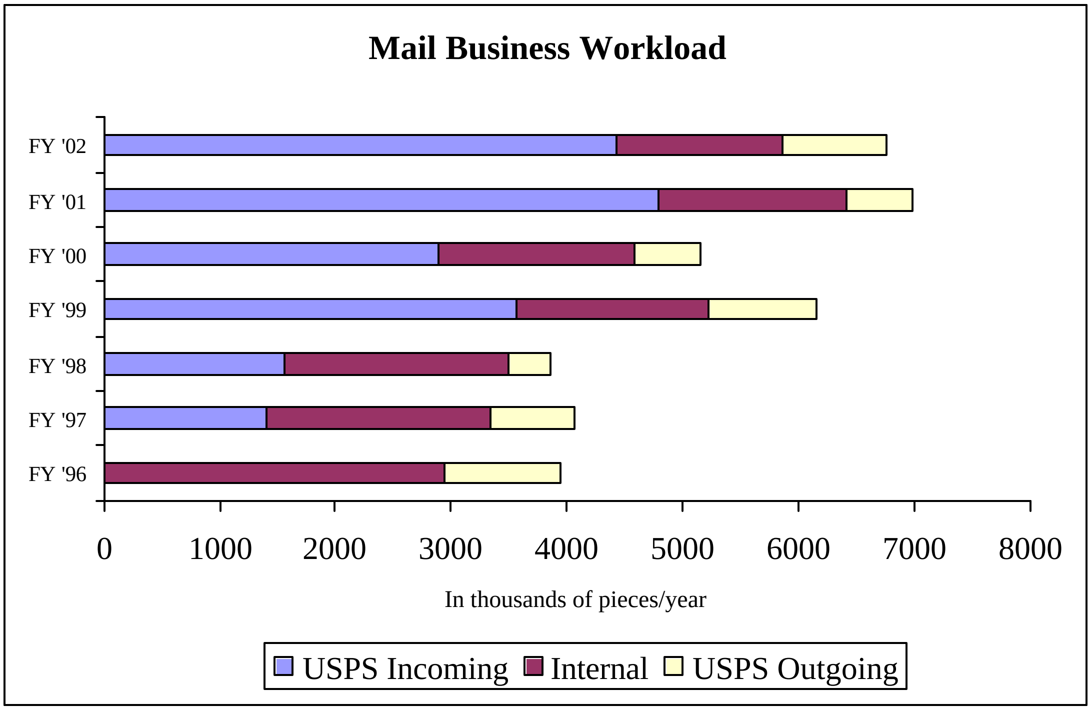
This business contributes to the flow of critical information for DOE programs by distributing hard copy documents and printed materials, inspecting and cleaning the mail, and discovering low cost postal options. The business has adopted the following balanced scorecard objectives as the basis for measuring success. During FY 2003 a customer survey is planned, as one key basis for measuring progress.

Mail Business Balanced Scorecard Objectives

	Customer Reduce the amount of time to process and deliver internal mail.	
Financial Reduce customer's mailing costs by utilizing presort mail rates.		***Internal Processes*** Maintain the highest security standards for incoming, outgoing, and internal mail distribution.
	Learning and Growth Enhance the effectiveness, knowledge, and satisfaction of Mail Service Business Line employees.	

Business Line Trends

The mail business handled approximately 7 million pieces of mail during FY 2002. The volume of mail activity has tended to level off over the period since the Fund was created, as shown in the figure and table on the following page. With the creation of the Fund in FY 1997, program offices became responsible for paying for outgoing USPS mail, and the volume of such mail has remained relatively small. There has also been a trend toward reduced interoffice distribution of hard copy documents, likely due to increase use of e-mail.



Mail Business Line Workload Measures							
	Incoming USPS Mail	Internal Mail	Outgoing USPS Mail	Special. Services In	Special Services Out	Program Mail Stops	Common Mail Stops
FY '97	1,408,214	1,936,612	724,955	44,612	4,808	122	5
FY '98	1,557,005	1,933,719	371,975	42,000	7,000	103	5
FY '99	3,566,560	1,644,812	946,160	66,646	8,921	97	5
FY '00	2,883,636	1,696,256	574,992	93,040	9,305	96	6
FY '01	4,783,300	1,623,760	576,223	92,488	8,222	98	6
FY'02	4,420,289	1,447,398	887,065	77,986	10,368	96	6

FY 2002 Financial Overview

The Mail Business earned $0.4 million less than expenses. This loss was related to increased contractor costs. The Fund Manager convened a working group to review the cost overruns and propose methods to help the business break even. The working group will address the Board at the next Board meeting.

In the past customers have not been billed for the cost of incoming mail except in conjunction with mail stops, and changes for outgoing mail have not included handling costs. The working group is assessing alternative ways of attaching labor costs to specific workload factors.

Business Line Officials

Business Line Service Manager: Mary Anderson, 202-586-4318

Business Line Financial Manager: John Harrison, 202-586-3611

Service Points of Contact: Anthony Nellums, 202-586-6064
Alvan Majors, 202-586-4338

Photocopy Business Line
FY 2002 Annual Report

Financial Summary	FY 2002 Earnings *(millions)*	FY 2002 Expenses *(millions)*	Net Earnings FY 2002 *(millions)*	Net Earnings FY 1997-2002 *(millions)*
	$2.0	$3.1	-$1.1	$0.2

FY 2002 Achievements

- The Copying business line installed 17 dedicated digital multi-functional energy star compliant copiers.
- In compliance with the Federal Acquisition Regulation, Section 508 of the Rehabilitation Act, the business line replaced 95% of the walk-up copiers in the Forrestal, Germantown and L'Enfant Plaza Buildings with ones that are more energy efficient. Significant savings will be realized by the reduction in annual maintenance costs on the machines in FY03.
- An in-house capability to perform scanning and Optical Character Recognition (OCR) services was approved by the Working Capital Fund Board as a new business segment in the Copying business line for FY2003.

Background

The Photocopy Business Line was part of the original Fund in FY 1997. The Photocopy Business Line provides convenient and cost-effective duplicating services and dedicated copiers to DOE headquarters organizations at the 3 Germantown Locations as well as Forrestal and L'Enfant Plaza facilities. At main Germantown, Forrestal and L'Enfant Plaza locations, the business line operates a staffed copy center in each location and provides service and equipment for central and dedicated copiers. The Copy Management Staff also perform the following:

- Perform acquisition activities on behalf of program customers
- Confer with customers at all levels to identify their copying requirements
- Arrange for delivery, installation of newly acquired equipment
- Negotiate with the vendors for trade-in discounts
- Coordinate training for key operators and users on newly acquired equipment
- Establish annual maintenance agreements with vendors (including negotiation of most cost-effective terms and conditions).
- Coordinate servicing of the copiers for customers.
- Maintain copier supplies for the various copier models

- Planning to provide automated access control and meter reporting for individual copiers
- Provide door-to-door delivery of paper
- Provide bulk delivery service for xerographic paper (by-the-skid)
- Perform equipment surplus functions, where appropriate
- Represent DOE at monthly vendor functions to keep cognizant of all new state-of-the-art equipment to fulfill our customers many requirements
- Interface with our peers at other government agencies to keep current on any laws and regulations that may affect our current business operations

A mix of Federal and contractor staff performs these functions. Program offices are charged for central and staffed copiers on a cost-per-copy basis, based on the number of copies made by program staff and a full vendor cost basis for its assigned dedicated copiers.

Defining Success

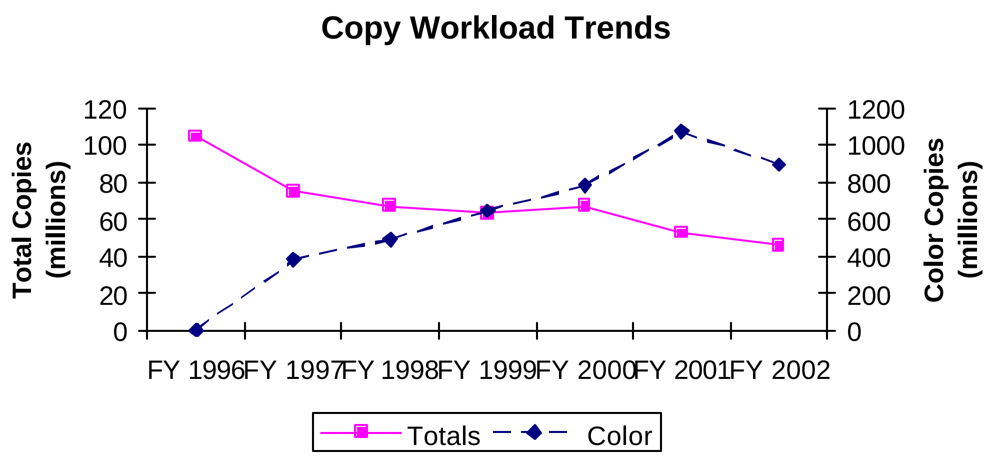
This business supports DOE program missions by providing document management, including paper copies and digital files for distribution and storage. The Balanced Scorecard objectives in the Photocopy 5-year business plan are as follows:

Photocopy Business Line Balanced Scorecard Objectives

	Customer Provide customers with convenient copy facilities and maintain low total cost to the customer.	
Financial Improve efficiency and ensure full cost recovery.		***Internal Processes*** Streamline internal processes and apply technological advancements logically.
	Learning and Growth Enhance the effectiveness, knowledge, and satisfaction of Photocopy Business Line employees.	

Business Line Trends

As shown in the figure on the following page, since the Fund was created, the number of total photocopies produced in Headquarters has been cut nearly in half, from over 100 million copies per year in FY 1996 to 46 million in FY 2002. In addition, the number of color copies declined in FY 2002 after a period of increases. The new digital scanning and OCR business segment will enhance the ability of this business to help our customers manage their document needs.



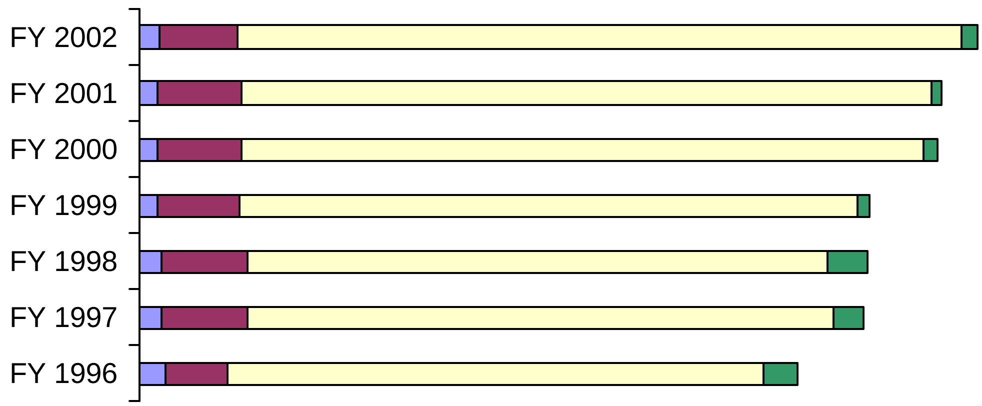
Copying Workload Trends						
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Color	380,511	492,109	644,174	779,730	1,073,408	892,778
Staffed	28,528,989	25,300,145	20,886,195	22,099,621	18,188,158	12,808,814
Central	18,130,663	17,023,796	15,678,090	17,199,359	9,467,911	9,123,625
Dedicated	27,960,263	24,146,746	25,743,953	27,011,133	23,901,160	23,143,684
Totals	75,000,426	66,962,796	62,952,412	67,089,843	52,630,637	45,968,901

The business has maintained a very competitive pricing structure for copies in comparison to other organizations within and outside the Federal Government, as shown in the following table.

Cost-Per-Copy Comparison		
Organization	**B/W**	**Color Copies**
DOE (central/staffed)	$0.028	$0.50
Agriculture	$0.05	$0.85
EPA	$0.05	$0.45
Labor	$0.03	$0.40
Transportation	$0.05	$0.75
Kinko’s	$0.07	$1.49
Copy General	$0.06	$0.99
Office Depot (under 1000 copies)	$0.05	$0.99
Staples	$0.07	$0.99

There has been continued growth in the number of dedicated copier machines as shown in the table below, partially explaining the significant reduction in the number of copies made at central copier locations. New copiers are predominantly digital and connected to the LAN.

Copier Machine Trends



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Miscellaneous	15	13	17	5	6	4	7
Dedicated	232	254	252	268	295	299	314
Central	27	37	37	36	37	37	34
Staff	12	10	10	8	8	8	9

Number of Machines

FY 2002 Financial Overview

The Copy business line earned $1.1 million less than expenses during FY 2002, but had net earnings of $0.4 million over the 6-year period. The FY 2002 loss is due in part to $0.4 million in FY 2001 costs that were charged to FY 2002 as discussed in the FY 2001 annual report. Also in FY 2002, the business purchased $0.5 million in new digital copiers that are not capitalized, but are financed from past net earnings. Finally, the business incurred $0.2 million non-cash capital expenses related to copiers capitalized in prior years and traded in for the new copiers. These are all one-time expenses that do not require changes to the copier pricing policies.

Business Line Officials

Business Line Manager: Mary Anderson, (202) 586-4318

Business Line Financial Manager: John Harrison, (202) 586-3611

Service Points of Contact: Sandra Best-Jackson, (202) 586-5276

Printing and Graphics Business Line

FY 2002 Annual Report

Financial Summary

	FY 2002 Earnings *(millions)*	FY 2002 Expenses *(millions)*	Net Earnings FY 2002 *(millions)*	Net Earnings FY 1997-2002 *(millions)*
	$3.2	$3.2	$0.0	$0.6

FY 2002 Achievements

- The business line processed 1,462 print requests and 6,680 graphics requests for customers.
- The Printing business line replaced the antiquated Document Distribution System (DDS) with more than 100 Department-wide mailing lists. The new system will streamline the distribution operation and provide several new capabilities to our customers.
- Printing business provided ongoing assistance to their customers on creating and submitting electronic media files for the printing of documents. Approximately 85% of the print jobs processed are with an electronic media files to the printer.
- Established memorandums of understanding with other Governments agencies to enable procuring special printing requirements such as classified printing and duplicating and security ID credentials.
- Completed digitizing more than 5,000 historical images stored by the History Division. This effort represents the completion of converting all images currently maintained in the Energy Technology Visuals Collection to electronic media.
- Developed marketing campaigns and printing support for recurring events held at Headquarters, i.e., Black History Month, Asian Pacific Month, Native American Month, Hispanic History Month and the Holocaust Memorial. Each event required, an exhibit, posters, flyers, programs and buttons.

Background

Printing services produce a complete range of high-quality printed products comparable to those available from a full-service commercial enterprise. The services include: mailing, shipping, and distribution; production of Government Printing Office (GPO) printed inserts to the daily Federal Register; production and duplication of various electronic informational media; and court reporting and transcription services.

The graphics business line provides onsite design and production services for all graphic products required by Headquarters offices. Products and services include but are not limited to the following: full color posters, various sized signs, exhibits, promotional materials, desktop publishing services, presentations, certificates, seminar materials, and output services. In addition, this business provides expertise and project oversight when coordinating work produced for DOE by commercial firms.

The business line also provides onsite photographic services for all Headquarters offices. Services include but are not limited to the following: Washington DC & metropolitan area photographic sessions, studio photography, passport & visa services, digital photography, and complete photo lab services. The business line maintains DOE technology visuals in order to provide prints/slides to Department-wide program personnel and the public sector. In addition, this business catalogues and maintains negatives generated by Headquarters photo assignments. The business line sells printed products, such as official DOE stationary, that had previously been sold through the Supplies business line.

Defining Success

The Printing and Graphics Business Line's goal is to provide quality printed and graphics services in an expeditious, timely, and efficient manner at the lowest cost to programs. The focus is on capacity, processes, and quality control.

Printing and Graphics Business Balanced Scorecard Objectives

Customer

Ensure that customers receive professional, prompt and courteous services.

Financial

Monitor and maintain contractual costs to the level of activity in relation to revenue generated. Monitor overhead to ensure it adequately covers the overhead operating costs. Reduce cost if it does not adequately cover operating costs.

Internal Processes

Evaluate and/or reengineer policies, procedures, and business practices to complement the printing and graphics modernization initiative.

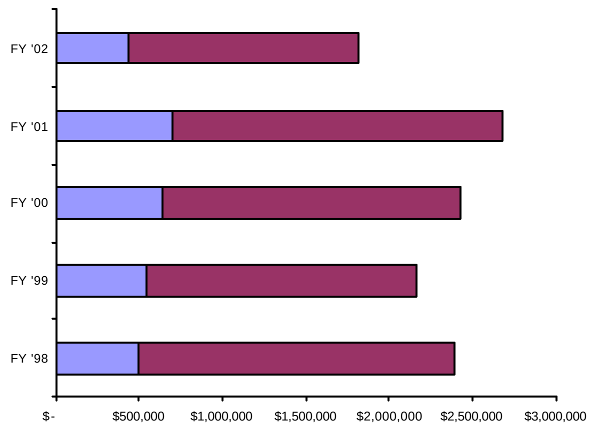
Learning and Growth

Develop and implement strategies to deploy technology and training to employees, administrative staff, and supervisors, so that they become integral partners in the printing and graphics modernization process.

Business Line Trends

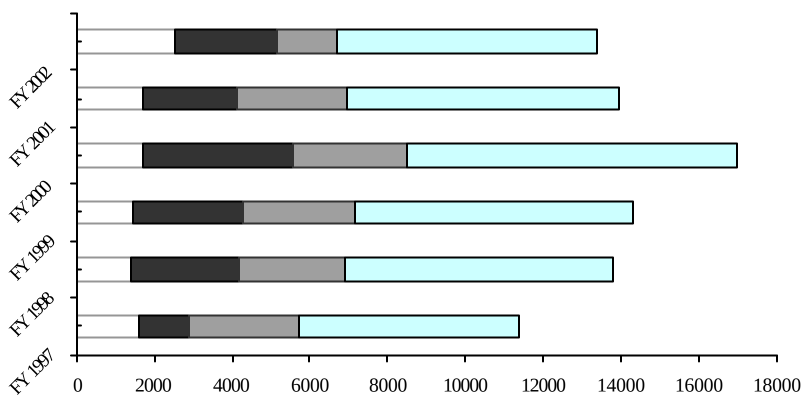
Printing Services Business Line

5 Year Comparison of Jobs Processed



	FY '98	FY '99	FY '00	FY '01	FY '02
Printing	$1,900,3	$1,624,6	$1,784,1	$1,977,1	$1,390,4
Federal Register	$497,359	$542,060	$638,261	$703,258	$431,131

Visual Media Services - Workload Trends



	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
	5701	6901	7163	8501	6965	6680
Photo	2816	2731	2863	2926	2855	1525
ETVC	1279	2777	2825	3885	2393	2604
Graphics	1606	1393	1475	1690	1717	2551

Total Jobs

FY 2002 Financial Overview

The Printing and Graphics business line broke even in FY 2002.

Business Line Plans and Anticipated Issues

The Printing and Graphics Business Line has identified the following as key objectives to be implemented:

- Continue enhancing its password access to all customers for tracking jobs and financial data on the Printing/Graphics web-based tracking system.

- Maintain overhead at a manageable level. Monitor overhead to ensure it adequately covers the overhead and operating costs. Reduce cost if it does not adequately cover operating costs.

- Based on availability of funds, digitize all photo images (20,000) for online access. As a second phase to this project, Visual Media will research and pursue the installation of a powerful file server with an open architecture image database to manage a large capacity DVD juke-box storage unit.

Business Line Officials

Mary R. Anderson, mary.Anderson@hr.doe.gov, 202-586-4318, Business Line Manager
Bill Talbot, bill.Talbot @hr.doe.gov, 202-586-2732, Graphics Point of Contact
Dallas Woodruff, dallas.woodruff@hr.doe.gov, 202-586-4318, Printing Point of Contact

Building Occupancy Business Line

FY 2002 Annual Report

Financial Summary	**FY 2002 Earnings** *(millions)*	**FY 2002 Expenses** *(millions)*	**Net Earnings FY 2002** *(millions)*	**Net Earnings FY 1997-2002** *(millions)*
	$56.7	$55.1	$1.6	$8.6

FY 2002 Achievements

- Designed and constructed 73,878 sq. ft. of space for NNSA at 955 L'Enfant Plaza, S.W. (anticipated completion date is 12/19/02).
- Completed installation of 1750 k W emergency electrical diesel generator system for Germantown.
- We have eliminated 26 of the 95 identified barriers to persons with disabilities (27.4%) from the FY 2001 Biennial Audit of the Forrestal and Germantown Buildings. Since FY1999 eliminated a total of 90 of the 159 barriers identified or 56.6%.
- Embarked on a Forrestal Building Improvement program to support the Secretary's goal of making DOE the employer of choice, as follows:
    - To enhance corridors by modifying the color scheme, accenting the columns and adding planters at the ends of the E and F corridors. Completed except for Ground Floor.
    - To upgrade the restrooms to include full compliance with the Americans with Disabilities Act accessibility guidelines. Restrooms (134) to be upgraded over the next five years. 20 under construction as of 9/16/02.
    - Upgraded Conference room 4A-104
    - Completed design to upgrade elevator lobbies. Lobbies (30) to be upgraded over the next 3 fiscal years as funds are available.
    - Completed the replacement of the basement corridor ceilings to include sprinklers for added fire and life safety. Ground floor in progress (to be completed in FY 2003).
    - Started the replacement of the convector unit piping on the North and East sides of the complex (to be completed in FY 2003). Completed 55.7% in FY 2002.
- Installed PA systems at the Forrestal and Germantown Buildings.
- Updated/improved occupant emergency plans for all buildings at Headquarters.

Background

The products and services provided by the Building Occupancy Business Line include: space assignment and utilization, utilities, cleaning services, snow removal, maintenance, pest control, trash removal, waste recycling, drafting, construction management and inspection, engineering, lock repair and key management, safety and occupational health, and conference support. These services are provided at a standard level of service and an above standard level of service. The standard level of service is to provide the basics of a safe, healthy, warm, and adequately lit shell. Renovations within a suite of offices for the benefit of the program office are considered to be above the standard level of service for which programs are billed. The mission of this business line is to provide the most expeditious and efficient service in a safe and healthy environment to the members of the DOE program offices and to achieve the highest possible customer satisfaction in accordance with the Federal Property Management Regulations. The Building Occupancy business line is led by a management team whose combined backgrounds consist of corporate knowledge in occupancy allocation, building maintenance and operations, as well as engineering and facilities management. The staff is a diverse, quality workforce consisting of trade and professional personnel, federal staff, and contractors.

Defining Success

To monitor the business line's service performance, the business line tracks several metrics. These include cost per square foot of both government owned and leased space, cost per person, the number of employees housed, vacancy rate, and the total square footage of space utilized. The Balance Scorecard objectives in the Building Occupancy Business Plan are as follows:

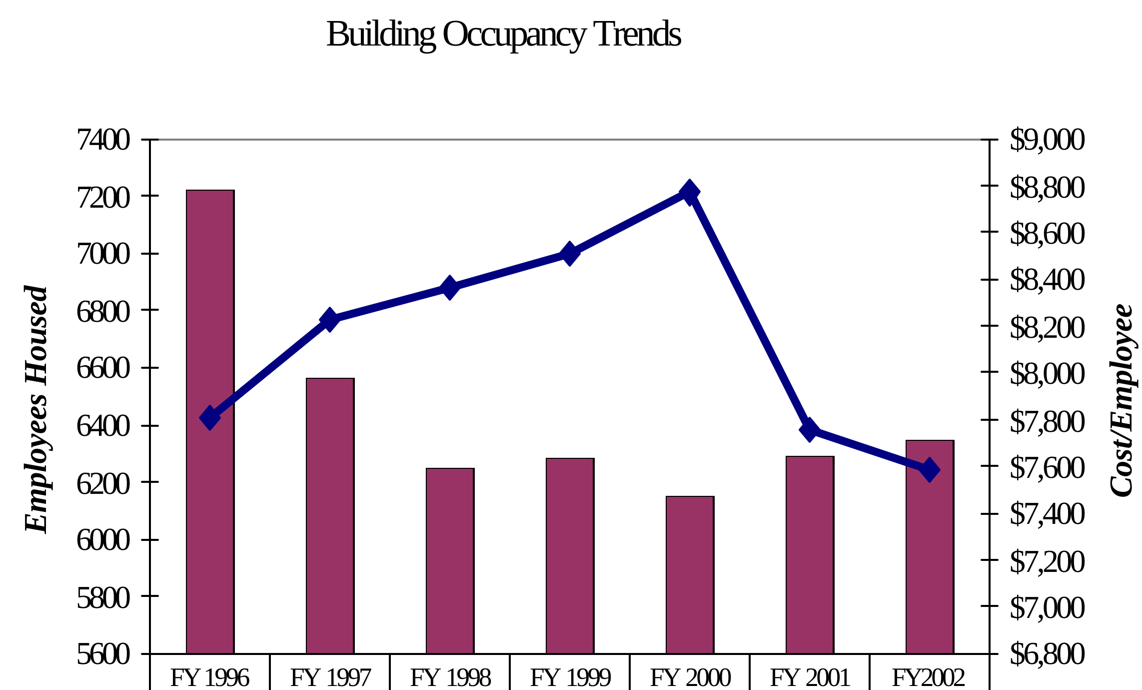
Building Occupancy Business Balanced Scorecard Objectives

	Customer	
	Improve customer satisfaction.	
Financial		***Internal Processes***
Reduce cost per person.		Operate and maintain equipment and systems in a manner that will provide for orderly operations of the Department, be environmentally responsible, and ensure preservation of the Government's real property assets.
	Learning and Growth	
	Improve knowledge, skills and abilities of business line staff in support of business systems and business line mission.	

Business Line Trends

The Fund was created during a period of Headquarters downsizing, and the number of Federal and contractor employees housed in FY 2002 was approximately 880 lower than in FY 1996. (See bars on the graph below). During the early years of the Fund, the cost per employee housed tended to increase, but this trend was reversed during FY 2001 and lowered further in FY 2002. As a result, the nominal dollar space cost per employee in FY 2002 was below the FY 1996 level by over $200.

The table on the following page displays selected metrics for the Building Occupancy business line. It indicates that the overall area occupied by Headquarters has remained stable since FY 1999. The occupancy rate improved in FY 2002, and the number of accidents and injuries has declined.



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY2002
Employees Housed	7226	6,567	6,252	6,286	6,149	6,290	6,347
Cost/Employee	$7,809	$8,225	$8,361	$8,509	$8,771	$7,757	$7,584

Building Occupancy Business Line Metrics							
	PRE-WCF	WCF					
Metric	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total square footage	2,434,909	2,412,845	2,380,439	2,319,269	2,319,269	2,319,269	2,307,269
Employees Housed	7226	6,567	6,252	6,286	6,149	6,290	6,347
Cost per Square Foot (owned)	-	$22.38	$22.41	$23.11	$23.19	$20.13	$20.03
Cost per Square Foot (leased)	-	$23.49	$23.49	$22.85	$23.85	$27.50	$26.94
Cost per person	$7,809	$8,225	$8,361	$8,509	$8,771	$7,757	$7,584
Vacancy Rate	-	1.82%	2.99%	1.82%	1.75%	0.37%	0.20%
Rent (in *000's)	$56,428	$54,011	$52,271	$53,489	$53,933	$49,077	$48,134
Accidents/Injuries	75	76	75	69	59	57	49
Square Feet Per Employee	337	367	381	369	377	369	364

FY 2002 Financial Overview

The Building Occupancy business line earned $1.6 million in excess of expenses. Of this amount, $0.6 million is overstated due to inadequate accruals by the business line. These costs will be charged during FY 2003. Most of the cumulative profit ($8.6 million) in this business is committed to construction projects and cannot be redirected to other uses or refunded to customers. The balance of the profit has been used to forward fund utility and maintenance contracts. The Fund Manager is reviewing the policy of earning revenue on construction projects for which completion will occur in a future fiscal year.

Business Line Plans and Anticipated Issues

The growth of the NNSA during FY 2002 is expected to affect the FY 2003 and FY 2004 business line budgets and activities. The NNSA has leased over 73,000 square feet of space at 955 L'Enfant Plaza to accommodate this growth. Following the completion of needed renovations in the first quarter of FY 2003, elements of NNSA will move to the L'Enfant Plaza space. Forrestal space thus vacated will then be configured to accommodate the remaining NNSA personnel and other Headquarters space requirements. Overall, this is expected to increase the average cost per square foot and per employee in the Headquarters complex in FY 2003.

Business Line Officials

Louis A. D'Angelo, III, Manager 202-586-6080

Telephone Business Line

Financial Summary

FY 2002 Earnings *(millions)*	FY 2002 Expenses *(millions)*	Net Earnings FY 2002 *(millions)*	Net Earnings FY 1997-2000 *(millions)*
$6.8	$14.3	-$7.5	-$8.6
$6.8[1]	$5.6	$1.2	$0.0

FY 2002 Achievements

- Replaced the Battery plant at the Corp 270 (Germantown) location that provides backup power for the MSL-100 Telephone Remote Switch support Corp 270 and Cloverleaf.
- Completed phase three of "Keep It Current" (KICII) MSL100 Telephone Switch Software Upgrade. This upgrade brought both the FORS and GTN MSL100 Switches from software level MSL12 to MSL15.
- Installation of a Nortel Remote Switch to support of NNSA (260 personnel) relocation to 955 L'Enfant Plaza began 3QTR FY02. Projected completion of project is beginning of 1QTR FY03.
- Upgraded Octel voice mail system to provide over 100 additional hours of storage space.
- A conference bridge upgrade/increase was completed that expanded Hq DOE simultaneous conference capacity from 78 to 138.
- A Nortel VOIP 20 user demonstration package was installed for evaluation.

Background

Since the inception of the WCF in 1997, this business has provided reliable telephone services in support of DOE programmatic missions. It provides telephone service for approximately 13,000 phone lines in use at the Department's Headquarters facilities in Washington, D.C. and Germantown, Maryland. The telephone system infrastructure is composed of two large Northern Telecom SL100 PBX's (one for each headquarters building) and includes local, long distance, and international dialing provided through the headquarters telephone system. It also includes specialized services such as:

- Operator-assisted calls (including large audio conference calls)

[1] These financial statistics are the result of ongoing operations excluding a one-time non-cash charge of net $8.6 million to write off telephone equipment in the asset account [$9.3 M less $0.7 M annual depreciation included in earnings based on the pricing policy].

- Voice mail, three-way calling, call forwarding, 800 telephone services, custom calling cards for domestic and international calling
- Video conference calling at variable speeds
- Technical personnel to install repair and operate the system
- Support personnel to administer service order implementation, billing, and charge back processes required to process the DOE HQ's user organizations service needs

Headquarters telephone system infrastructure facilities and access to the Washington Metropolitan Area local telephone exchanges is provided by Verizon Communications under the GSA WITS2001 contract, which became effective on October 1, 2000. Domestic long distance calling services and video conferencing services are provided by WORLDCOM under the GSA FTS2001 contract. AT&T provides International calling services and calling card services (domestic and international) under the GSA International Direct Distance Dialing (IDDD) contract. Contractor personnel provide technical and administrative support for these services.

Defining Success

Customer satisfaction is one of our key goals. The small number of user complaints and the following telephone service statistics indicate that we are meeting our goals:

- Telephone reliability of 99.8%
- Not more than 35 outbound calls blocked per 10,000 calls placed

Reliable telephone service is a critical element in each DOE organization's ability to successfully fulfill its mission. Defining and satisfying user requirements in a timely manner are our major objective. Our improved method for scheduling and tracking "Meet Me" conference calls allows operators to handle the growing demand for conference services without adding to the work force, while significantly improving customer service. The system also sends an e-mail confirmation to the person requesting the conference.

Business Line Trends

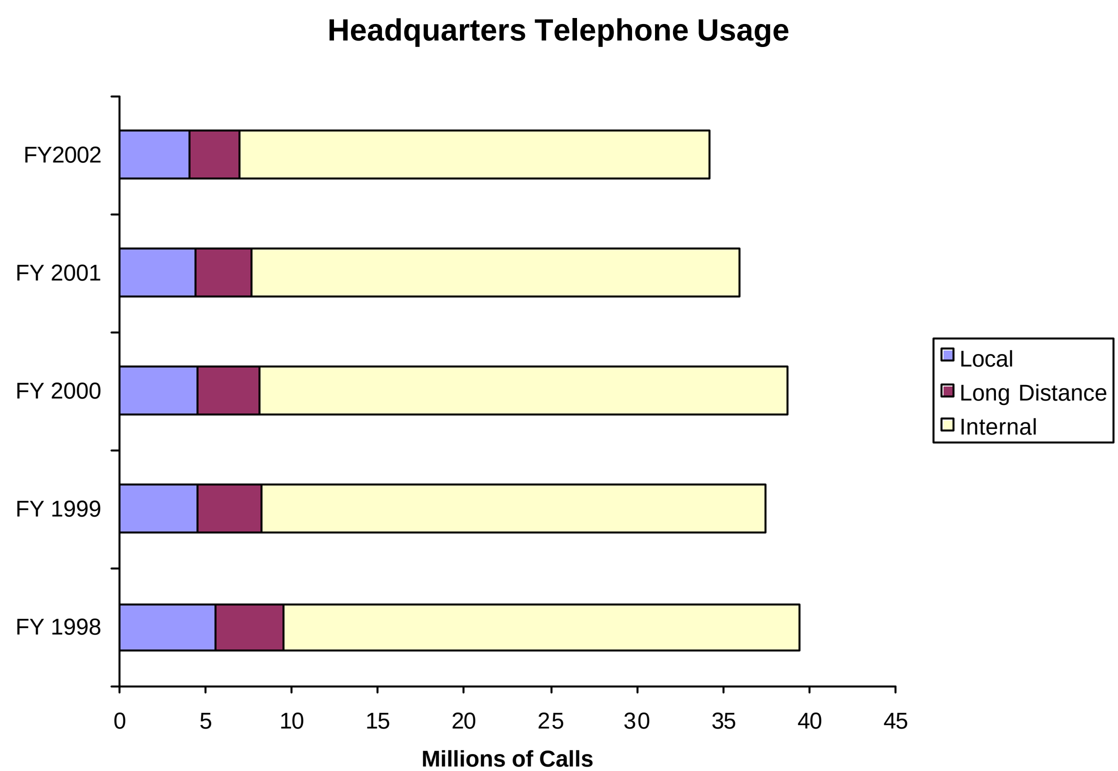
Telephone service technology changes will continue at a rapid rate as Internet Protocol (IP) technology and broadband facility management provides for bundling of telephone, data and video services to achieve an overall lower cost and better utilization of available telephone facilities.

The telephone system is maintained at a service and equipment availability level to accommodate changing program requirements. Plans for upgrading existing equipment and implementing new technology ensures continuous and reliable telephone service to Headquarter users. Ongoing maintenance has extended the useful life of capital equipment through FY 2010.

The business line saw a decrease in local and long distance calling of less than 3% and the number of calls placed on the internal exchange decreased by almost 1%. Year-to-year variations in internal calls have been small, most likely because the number of Headquarters employees has remained relatively constant.

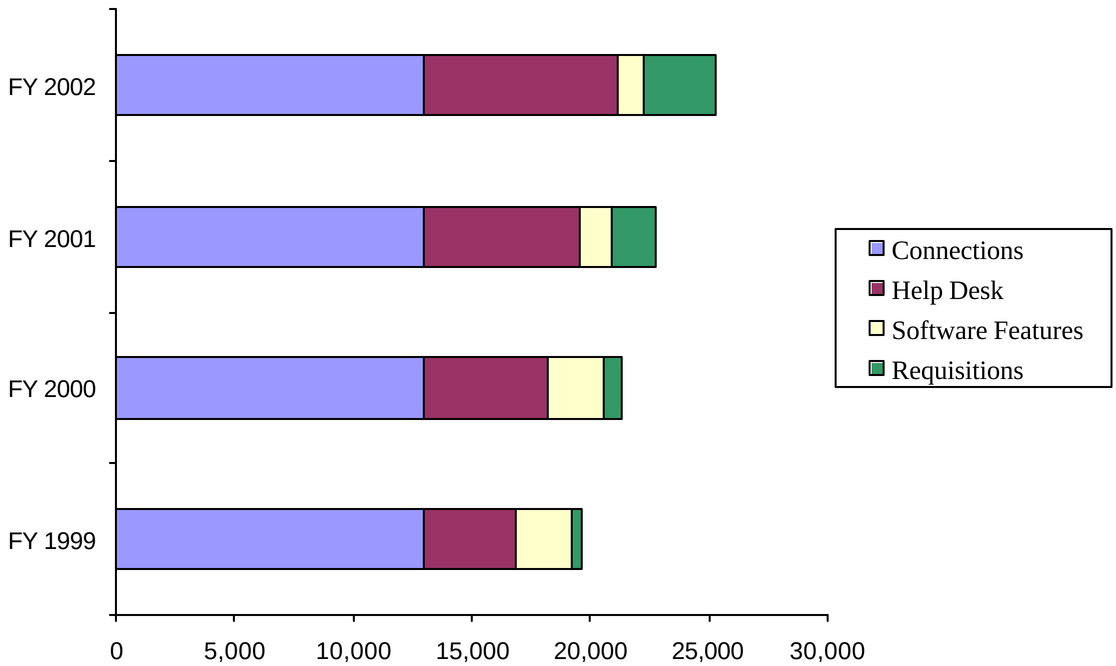
Telephone usage in millions of calls per year is shown in the below table:

Millions of calls/year	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY2002
Local	3.5	5.6	4.6	4.5	4.4	4.1
FTS2000/FTS2001	4.8	3.9	3.7	3.7	3.3	2.9
Internal (PBX)	Unknown	29.9	29.1	30.5	28.2	27.2



Demand for Telephone services has been strong over the last four years. Below is a graph of trends for customer service calls.

Telephone Service calls as related to Help Desk Trouble Calls and Requisitions



FY 2002 Financial Overview

Based on continuing operating income the Telephone business line earned $1.2 M more than expenses in FY 2002. However, there was a one time non-cash charge of $8.6 million to the business to write-off capital equipment discussed earlier in the Annual Report.

Business Line Plans

Nortel Networks plans to introduce MSL17 in third quarter of FY2002. MSL17 will be fully supported for the normal 2-year support window after General Availability.

Replace the rectifier system supporting the Forrestal MSL100 Telephone Switch.

Business Line Officials

Gordon Errington, Owner	301-903-9595
Judy Saylor, Technical Monitor	301-903-4999
Richard Otis, Technical Monitor	301-903-5310

Desktop Business Line

Financial Summary

	FY 2002 Earnings	FY 2002 Expenses	Net Earnings FY 2002	Net Earnings FY 1997-2002
	$1.2	$1.2	$0.0	-$0.3

FY 2002 Achievements

- 3,749 service requests responded to by four technicians and two helpdesk analysts for all DOE Headquarters Offices.
- 128 new client accommodations were addressed.
- 146,555 virus encounters, including 213 incidents, were addressed.
- 46 decontamination incidents involving 572 systems were addressed.
- Applix system managed 103,768 incidents

Background

The Desktop Business Line has been a part of the Working Capital Fund (WCF) since its inception. This business provides complete desktop maintenance services, by "Q" cleared technicians, for a wide variety of personal computers, fax machines and printers and third-party maintenance contracts for equipment that cannot be repaired in-house. It also provides for workstation infrastructure services, such as common desktop software application support, virus support, Applix support and adaptive workstation support, all of which is provided though a centralized Infrastructure Support Center. For hardware maintenance there are two hardware maintenance facilities: one in the main Germantown building, which services all offices in the greater Germantown area, and another in the Forrestal building, which services all offices in Washington, D.C., area. Other functions include the following:

- Order parts and computer components as an integral part of satisfying customer needs
- Install new hardware, when requested, to include data migrations.
- Relocate equipment, including disconnects and reconnects of desktop equipment.
- Sanitize hard drives, when requested, in order to facilitate the excessing of equipment.
- Investigate and control computer viruses.
- Resolve problems for common/supported desktop software applications.
- Provide disabilities accommodations services for employees with various functional limitations.
- Provide disk media recovery services.
- Provide support for the Applix application, which currently supports approximately 500 actives users.

Defining Success

The desktop business line is successful when the customer's desktop is active and productive. This success relies on the following three primary factors**:** user productivity, system availability, and addressing the threat of intrusion. This business is structured to maximize performance in these three areas. Success can also be defined as delivering timely and outstanding service to our customer base with a much-reduced staff over a wide geographic area with extremely high customer satisfaction ratings.

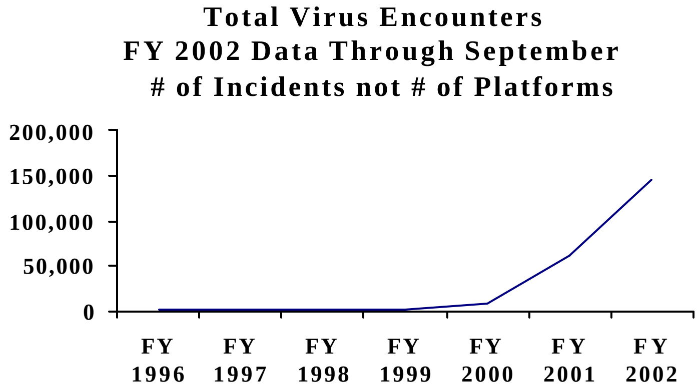
Desktop Maintenance Business Balanced Scorecard Objectives

	Customer	
	Provide timely and accurate Infrastructure Support service to all DOE program customers at Headquarters on demand.	
Financial		***Internal Processes***
Continue fee for service customer billing by linking the basis for vendor billing with customer billing.		Examine every possible avenue to refine and/or redefine the service offerings.
	Learning and Growth	
	Utilize lessons learned and technology, wherever possible, to ensure sound business practices.	

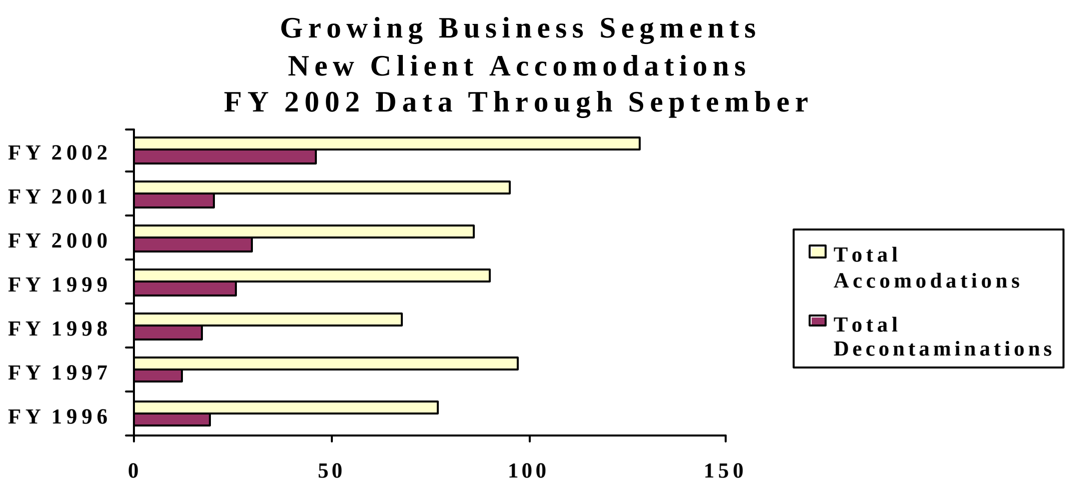
Business Line Trends

Hardware Maintenance: The Hardware Maintenance component of this business line has historically enjoyed success with respect to the services performed over the years. Before it was made part of the WCF, there were sufficient resources (26 technicians) to perform the work required as well as high priority requests. Once funding was provided by the WCF, business line managers chose a team of four technicians to provide continuous service. Unfortunately, the existing contract was structured so that a fixed monthly price was charged for the technicians, although revenues were based on actual usage and any down time resulted in business losses. A review and restructuring of this task resulted in reducing the number of technicians by one, which reduced the overall monthly expense of this task.

Infrastructure Support Services: <u>Virus Protection Plan</u>: Workload requirements for the Virus Protection Plan remain high due to continued increases in the number of decontaminations, as well as increases in the number and sophistication of viruses and their vectors.



Software Support: Since inception of the WCF in FY 1997, this function has seen a significant reduction in staff to a total of 2 analysts. This reduction is due to continued increase in dedicated staff for the program offices and the declining service requirements of computer literate staff.



Disabilities Accommodations Program: Since the establishment of the Working Capital Fund (WCF) in FY 1997 the Assistive Technologies Program (Adaptive Workstation Support Task) client base has continued to experience notable growth, and services performed have remained comprehensive. Assistive technology is frequently the vehicle that facilitates appropriate accommodations. Recent new legislation and in accord with the President's New Freedom Initiative and his Management Agenda, demand for those workers with disabilities is growing in order to fill a gap in the traditional workforce. We continued to provide the necessary on-site resources to accommodate users at all Headquarters locations requiring assistive technology, many of which continue to require on-going, on-site support yearly.

Applix Support
All Headquarters Program Offices except RW utilize Applix, which equates to approximately 500 users with active Applix Id's. Program Offices utilize the Applix application for various functions, including Help Desk, Asset Management, Training, Meet Me Conferencing, Video Conferencing, Working Capital Fund and Building Operations. In support of the organization and the applications they utilize, this support provides client software installation, training, data migration, escalation/notification configuration and on-site, first day support. Additionally, maintenance of the Outlook Mail Box used for notifications and staff of the Applix Enterprise Help Desk Function (phone and desk side support).

FY 2002 Financial Overview

This business broke even during FY 2002. The decision to eliminate IT Training and restructure the pricing policy for Help Desk Services should result in similar performance in the future.

Business Line Plans and Anticipated Issues

The Hardware Maintenance component of this Business Line was reviewed to determine if restructuring would to ensure solvency. This review resulted in restructuring of the task by reducing the number of technicians by one, which reduced the overall monthly expense of this task.

The Virus Protection and Decontamination component of this Business Line received additional funding that allows it to maintain current operational requirements, although fiscal constraints remain that affect the ability to perform proactive analysis. The statistics continue to reflect the magnitude of the increase in scope. Not only are encounter numbers increasing, but the evolution of blended threats (such as Nimda) increases the risk to DOE, as well as the expertise needed to protect against them. Although efficiencies have been incorporated in the decontamination process, these are negated by continued increases in the number of decontaminations (in terms of both incidents and systems). An increase in funding will allow for better analysis and maintenance of required protections to keep pace with new threats. For instance, the upcoming implementation of McAfee anti-virus enterprise software at Headquarters (as an element of the excite program) is in progress and will centralize management of protection software used on desktop, server, e-mail, and gateway systems. This will increase the management requirements on staff.

This business line and most of the IT support staff for the Headquarters program offices rely on the operation and functionality of the help desk software application commonly referred to as Applix. Applix originated within the CIO's organization and was adopted as a project by the Headquarters IT Collaboration Group. Funding to cover the initial software licenses, installation support, and technical training, was provided by most of the major program offices in FY97. We need to review our pricing policy for this item to ensure continued functionality of Applix.

Business Line Officials

Business Line Owner	Jeanne Beard	202-586-6258	Jeanne.beard@hq.doe.gov
Service Manager Hardware Maintenance	Don Reed	301-903-2372	Don.reed@hq.doe.gov
Service Manager Software Support	Penny Gardner	301-903-5413	Penny.gardner@hq.doe.gov
Service Manager Deontamination Protection	Mahmood Bahadori	301-903-5988	Mahmood.bahadori@hq.doe.gov
Service Manager Virus Protection	Mahmood Bahadori	301-903-5988	Mahmood.bahadori@hq.doe.gov
Service Manager Applix Support	Kelly King	301-903-8708	Kelly.king@hq.doe.gov
Service Manager Adaptive Workstation	Alton McPhaul	202-586-1342	Alton.mcphaul@hq.doe.gov

Network Business Line

Financial Summary

FY 2002 Earnings *(millions)*	FY 2002 Expenses *(millions)*	Net Earnings FY 2002 *(millions)*	Net Earnings FY 1997-2002 *(millions)*
$6.2	$6.1	$0.1	$0.4

FY 2002 Achievements

Overall performance for calendar year 2002 exceeded targets for both the voice and network business lines. Significant accomplishments are included to demonstrate the continuing improvements being made in all areas for both of these business lines, as well as the on going efforts to acquire and implement more capable measurement tools. We continue to strive to refine our performance goals and improve the tools used to measure our achievement.

Summary Performance vs. Objectives

Business Line	SLA Objective Availability	Attainment
Voice	98.0% (Per Task Order)	100.0%
HQ Network Infrastructure	98.0% (Per Task Order)	99.9%
Internet Service	99.0% (Per Task Order)	99.39%
DOEnet Circuits	95.0% (Per FTS2001)	99.93%

Accomplishments by Business Line:
Network Business Line:

We have been producing Daily, Weekly and Monthly Headquarters Network Performance Reports. We are currently using Tivoli NetView and Concord's E-Health to collect and report the network statistics. They are posted on the CIO-Ops Web Site at: http://cio-ops.doe.gov/standup/stu_reports.cfm. Eventually all service areas measurements will be posted to this location. These reports are generated for SLA purposes and we certainly welcome your comments on improving their usefulness.

Network Infrastructure Accomplishments:

- Completed deployment of HQ core switch infrastructure upgrade. Installed and tested and put into production Cisco 6500 switches.
- Began the segmentation of the HQ Network by program office, completing the NNSA network segments. **This infrastructure upgrade is being funded by the OCIO and not the WCF.**
- Upgraded DOE Internet connection to a full DS-3 circuit with a Permanent Virtual Circuit (PVC) of 45mb (a 300% improvement in total throughput) to provide more responsive and reliable Internet connectivity

Network Management Accomplishments

- Refined network performance monitoring and reporting capability by improving the integration of multiple components (Applix, Concord NetHealth, Netview) under a single enterprise management tool (Tivoli).
- Continued daily distribution of network infrastructure performance reporting for major program offices within HQ.
- Created an in house VPN service for use by multiple HQ Program Offices

DOEnet Accomplishments

- Increased capacity from fractional T-1s to full T-1s at five EE Regional Offices to support site traffic requirements
- VPN Connections provided to Federal users at Labs to access corporate resources (Brookhaven, Princeton, & Argonne National Labs)
- Established a connection with the Naval Shipyard through the delivery of a PVC between DOEnet and the Naval Reactors Private Network
- Unclassified Network extending connectivity to 50 additional customers
- Extended network connectivity to the Department of Justice in support of customer (IG Office) requirements
- Installed a PIX Firewall and Intrusion Detection System (IDS) on the Forrestal Node enhancing cybersecurity monitoring of the network.
- Increased ISC Help Desk coverage to 24X7 specifically supporting network operations.

Background

This business line provides network connectivity service for approximately 8,000 users in the Department's Headquarters facilities in Washington, D.C. and in Germantown, Maryland. The network infrastructure is comprised of four ATM switches, 16 routers, 600 closet switches and the various interconnecting cabling and cable runs to the individual user locations. The business line also provides Internet connectivity for a majority of DOE HQ customers. It includes services such as:

- Installations, moves, and changes of Network connection and infrastructure components
- Installation and management of the Network circuits connecting the DOE "campus" facilities
- Domain Name Service (DNS) management and maintenance
- Technical personnel to install, manage, and maintain the network infrastructure
- Hardware and software maintenance for all network infrastructure components

Defining Success

Network services are a critical element in the ability of all DOE organizations to successfully carry out their missions. The Headquarters network services organization success is measured on our ability to define and provide user service requirements in a time frame that meets their needs and to maintain a reliable service to meet those needs. Network availability statistics provide the key measure of the success of the networking services group. The recent implementation of Concord NetHealth will enable us to provide daily weekly and monthly network availability reports.

Monthly Performance Metrics for 2002 by Business Line:

DOEHQ Headquarters Backbone Network Availability:

Month	Headquarters Backbone Availability
Oct	99.99%
Nov	99.99%
Dec	99.99%
Jan	99.99%
Feb	99.99%
Mar	99.99%
Apr	99.99%
May	99.99%
Jun	99.99%
Jul	99.99%
Aug	99.99%
Sep	99.99%
Overall Availability	**99.99%**

Availability is a measure of the reachability (i.e. connectivity) of all headquarters router and switch devices over time. Each device carries a weighted factor based of number of end users supported relative to total users at Headquarters. We continue to refine our measurement capability and will, over time be able to provide more granular and customer specific data. Availability does not attempt to measure or consider anything other than network infrastructure devices (i.e. server and/or application availability are not in the calculation). HQ Network Performance Reports (Daily, Weekly, and Monthly) are posted on the CIO-Ops Web Site at: http://cio-ops.doe.gov/standup/stu_reports.cfm

Internet Service Availability:

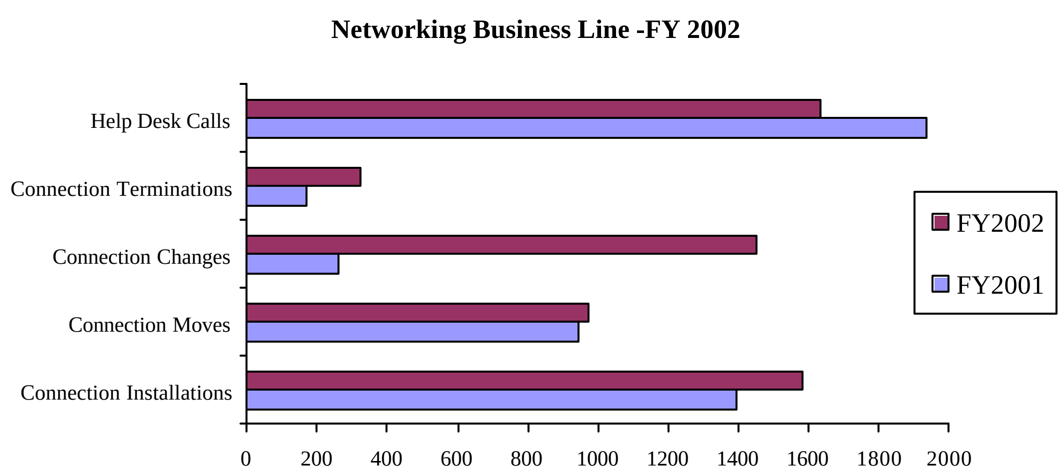
Month	Availability
Oct	100%
Nov	99.1%
Dec	99.98%
Jan	100%
Feb	100%
Mar	100%
Apr	100%
May	100%
Jun	100%
Jul	100%
Aug	100%
Sep	100%
Overall	**99.39%**

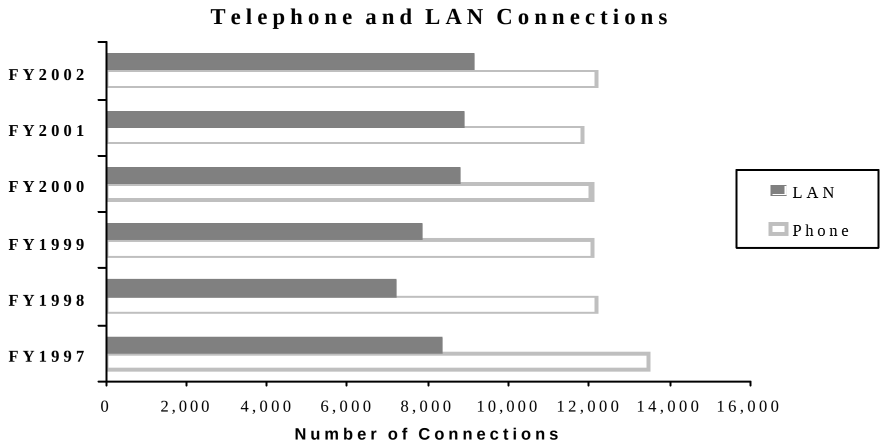
DOEnet Circuit Availability:

Month	Availability
Jan	99.91%
Feb	99.90%
Mar	99.97%
Apr	99.94%
May	99.89%
Jun	99.91%
Jul	99.91%
Aug	99.99%
Sep	99.96%
Oct	99.95%
Nov	99.89%
Dec	99.99%
Overall	**99.93%**

Customer satisfaction is measured by: personal contact with critical customers, help desk feedback on completed trouble tickets, and by direct feedback from users in the form of complaints. Customer satisfaction, measured by these methods, is judged to be very high.

During FY 2002, the Network business line staff responded to the following service calls:





Financial Performance Overview

The network business line earned $0.1M more than expenses due to cost reductions to DOEnet.

Business Line Trends

This business line provides network connectivity service for approximately 8,000 users in the Department's Headquarters facilities in Washington, D.C. and in Germantown, Maryland. It has upgraded and modernized the network infrastructure to respond to growing customer requirements. The growth of technology, particularly IP-based services (including voice and video), will continue for the foreseeable future. This growth will demand that the network services provided to our customers become more sophisticated, robust and flexible. The Networking Services group is prepared to meet that challenge with adequate network infrastructure cost recovery rates.

Business Line Plans

The Network business line is growing primarily due to new services offered to existing users. New services include desktop IP video conferencing that will be done over the network, i.e., the LAN; DHCP; improved Internet connectivity; and upgrading existing hardware to permit faster throughput for network users.

The business will continue to evaluate the cost of DOEnet and other services and when warranted reduce costs of service or increase the level of service to meet changes in customer needs and to implement appropriate new technology.

Business Line Officials

Gordon Errington, Business Line Owner	301-903-9595
Richard Otis, Technical Monitor	301-903-5310

Contract Closeout Business Line

FY 2002 Annual Report

Financial Summary

FY 2002 Earnings (millions)	FY 2002 Expenses (millions)	Net Earnings FY 2002 (millions)	Net Earnings FY 1997-2002 (millions)
$0.7	$0.7	$0.0	$0.3

FY 2002 Achievements

- $ Reduced the number of over-aged instruments by 11%.
- $ Returned $9.5 million of deobligated balances to the Department.
- $ Exceeded target for a number of completed closeouts.

Background

The closeout process assures that all terms and conditions of the instrument have been fulfilled, all financial information has been submitted and evaluated, final payment has been made, any remaining funds have been deobligated, and the instrument is administratively retired from the Procurement Automated Data System (PADS). The retired instrument is boxed and stored locally or shipped to a federal storage facility. Instrument types include purchase and delivery orders, firm fixed price contracts, interagency agreements, financial assistance instruments, and cost reimbursement contracts.

Defining Success

We use the following metric to measure our performance: Retiring targeted instruments and returning unutilized funding balances to the Department.

Contract Closeout Business Balanced Scorecard Objectives

Customer

Provide competent and accurate closeout of targeted instruments.

Financial

Improve the availability of funding to programs.

Internal Processes

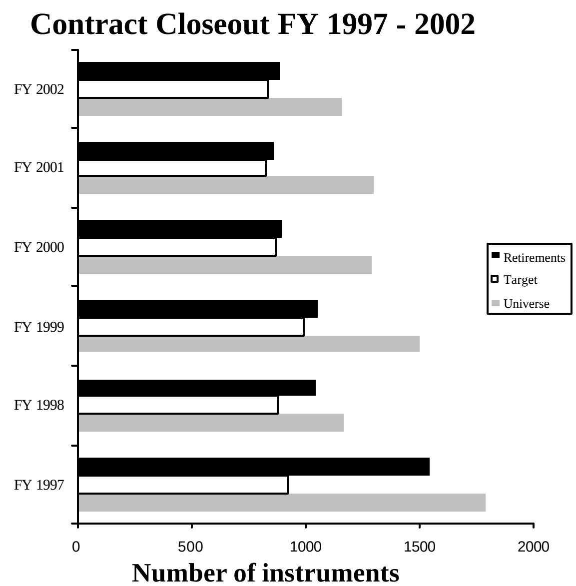
Improve contract closeout to accommodate changing contract types.

Learning and Growth

Improve knowledge, skills, and abilities of staff and improve business systems that support the business line.

Business Line Projections

The inventory of Headquarters contracts, financial assistance instruments, and interagency agreements awaiting closeout has experienced a steadily decreasing trend during the five years that this activity has been a Working Capital Fund business. The inventory has decreased by 60% from 2,927 instruments in FY 1996 to 1,161 instruments by the end of FY 2002. With this reduction in the backlog of aged instruments, the contract closeout business line is operating with a manageable inventory. This was achieved through customer/supplier cooperation.



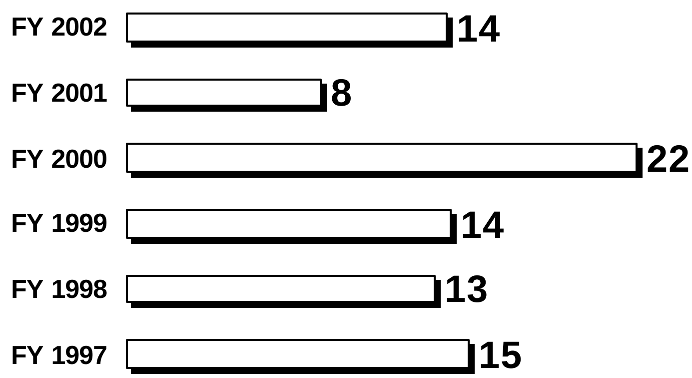
Noteworthy is the business line's success in retiring overage instruments. For FY 2002, the contract closeout business line achieved an 11% reduction in its universe of overage instruments. Overage is defined in the acquisition regulations. At the beginning of FY 2002, the overage universe stood at 287 instruments (contracts, grants, cooperative agreements, interagency agreements, and purchase and delivery orders). Notwithstanding the addition of 553 instruments falling into the overage category during FY 2002 for a total of 840 overage instruments, 584 overage instruments were retired in FY 2002. Accordingly, at the end of FY 2002, 256 overage instruments remained. This equals 31 instruments under the beginning universe of 287 for an 11% reduction.

Customers have agreed to finance annually the closeout of approximately the number of new instruments becoming available for closeout, stabilizing the inventory, and, as shown in the comparison of annual targets to actual retirements, the business line is meeting the promised number of retired instruments in accordance with service agreements.

In FY 2002, the business line activity resulted in a total of $9.5 million of contract deobligations. This returns spending authority to mission programs to apply to high priority needs. As shown in the following chart, there was $14 in deobligations for each $1 charged to customers. The business line no longer expects historically high deobligations as the mix of contracts has changed and programs are more efficient in their contract obligations.

Contract Closeout Return on Investment

Dollars Deobligated/Dollars Expended



Financial Overview

The Closeout business line earned $0.1 million in excess of expenses. The business line is reviewing possible ways to invest this equity to reduce future closeout costs, including digitization of records.

Business Line Official

Jeffrey Rubenstein Jeffrey.Rubenstein@hq.doe.gov (202) 287-1516 Business Line Manager

Payroll Business Line
FY 2002 Annual Report

Financial Summary

FY 2002 Earnings *(thousands)*	FY 2002 Expenses *(thousands)*	Net Earnings FY 2002 *(thousands)*	Net Earnings FY 1997-2002 *(thousands)*
$3.1	$1.6	$1.5	$2.0

FY 2002 Achievements

- 100 % on time delivery of employee paychecks.
- 99 % of paychecks delivered through electronic funds transfer.
- After terminating the plans to outsource the payroll functions to the General Services Administration, created a partnership with the Defense Finance and Accounting Service (DFAS) to determine the feasibility of outsourcing the payroll functions to DFAS.
- Completed several critical analyses of DFAS's payroll and time and attendance software applications and identified gaps that need to be addressed jointly by both parties.

Background

The Payroll Business Line was added to the Fund in FY 1998 to finance the preparation of the biweekly payroll for approximately 12,000 Department of Energy civilian employees.[1] In addition to preparing the payroll, the business line performs the following functions:

- Computes deposits, and reports Federal, State, and local income taxes;
- Maintains employee records related to Civil Service and Federal Employees Retirement Systems (CSRS and FERS);
- Reports retirement information to the Office of Personnel Management (OPM), and performs reconciliation of account balances with OPM and Treasury;
- Accounts and reports employee's health benefit coverage, thrift savings plans, and unemployment compensation, and other non-salary employee payments;
- Maintains the donated leave subsystem; and,
- Maintains and operates the Department's system of allocating payroll costs to the proper appropriation.

These functions are performed by a mix of Federal and contractor staff. As discussed further below, consideration is being given to options for outsourcing the provision of this service to the DFAS.

[1] The Bonneville Power Administration and the Federal Energy Regulatory Administration operate separate payroll systems for their employees.

Program offices are charged for payroll services based on the number of Federal civilian employees at the start of the fiscal year in their Headquarters offices and in the field offices that report administratively to their Lead Program Secretarial Officer (LPSO).

Defining Success

Delivering accurate employee paychecks on time is considered one of the most essential services offered for the Department, and the business line seeks to achieve this success at the lowest possible cost. The Balanced Scorecard objectives in the Payroll 5-year business plan are as follows:

Payroll Business Balanced Scorecard Objectives

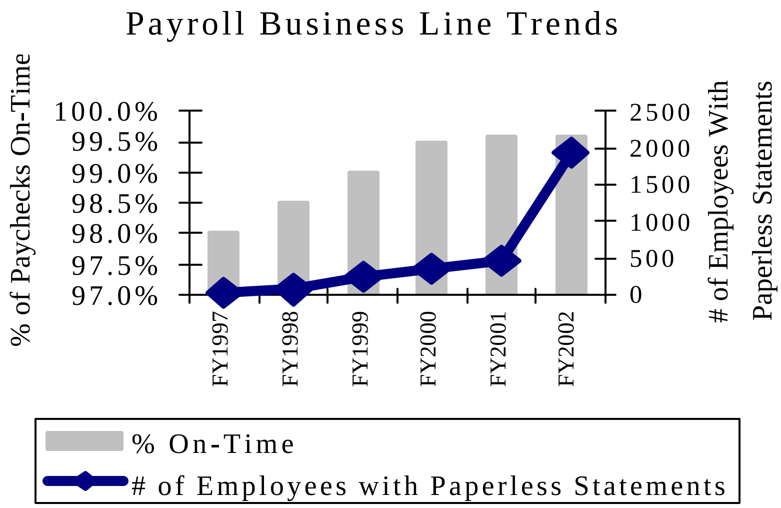
	Customer	
	Ensure that all employees are paid accurately and in a timely manner, and that supervisors and managers receive value-added reports	
Financial		***Internal Processes***
Develop and execute plans to implement a new payroll system that is most cost-effective to all DOE stakeholders		Evaluate and/or reengineer policies, procedures, and business practices to complement the payroll system modernization initiative.
	Learning and Growth	
	Develop and implement strategies to deploy technology and training to employees, administrative staff, and supervisors, so that they become integral partners in the payroll modernization process.	

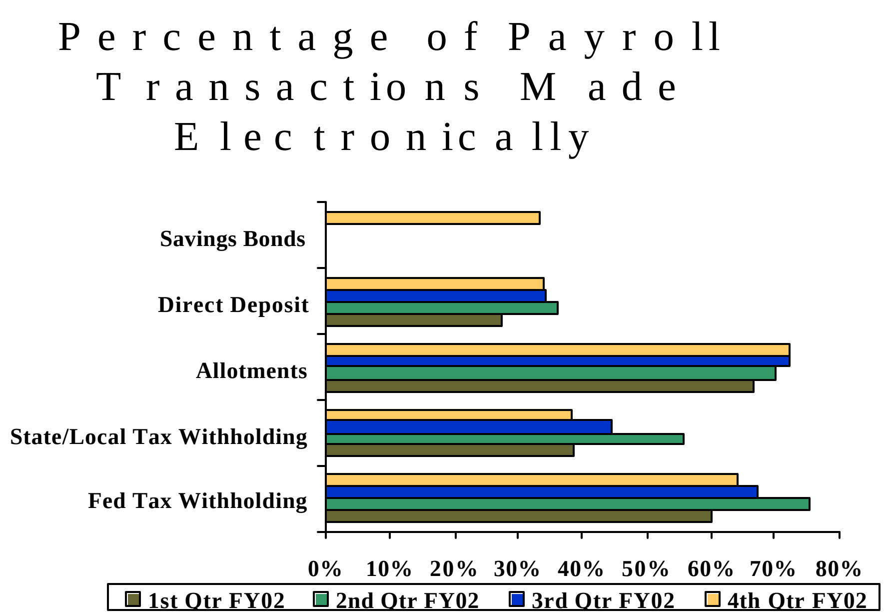
Business Line Trends

The number of employees served by the Payroll Business Line has declined over the past decade, though the rate of decline slowed during the period in which the Business Line has been in the Fund.

The timeliness of payroll process has been at nearly 100% performance level over the past six years. To reduce administrative costs, employees are encouraged to receive their Earnings, Leave, and Benefit

Statements (ELBSs) electronically through the Employee Self Service (ESS) feature of the Corporate Human Resources Information System (CHRIS). The figure below illustrates the fiscal year 2002 percentage of employees electing to receive statements electronically, rather than through the mail. If everyone were to receive his or her ELBSs the Payroll Business Line could potentially save $100,000 annually. Additional efficiencies could be realized if all requested changes to payroll deductions were received electronically. Performance measures that will be used to track trend for the future are set forth below.





FY 2002 Financial Overview

The Payroll Business Line experienced positive net earnings of $1.5 million in FY 2002 and $2.0 million since the inclusion of this business line in the Fund. Beyond these net earnings, the Department has contributed unearned equity of $2.2 million, outside of customer billings, related to appropriations for major modifications to the Payroll system. Over the coming years, it is expected that these resources will be used to finance the outsourcing of the current DOE operations to a more cost-effective service provider**.**

Business Line Plans and Anticipated Issues

Since the mid-1990's the Department has reviewed options for modernizing its payroll processing software and operations. These included a 1996 study to outsource the payroll functions to the Department of Interior; a 1999 initiative to implement the PeopleSoft payroll application as a complement to the CHRIS-HR; and the 2001 business case study and detailed analysis to outsource the payroll functions to the General Services Administration (GSA). In each of these initiatives, the Department learned that the options were cost prohibitive and preempted the implementations. The initiative to outsource to GSA was terminated in May 2002.

With the passing years and without any positive change to either outsource the payroll functions or replace the Department's aging legacy systems and processes, the Department's payroll vulnerabilities are being exposed and the Department is facing increasing risks that it cannot adequately sustain the payroll operations. The Department's Energy Time and Attendance System is a DOS based application that is quickly becoming incompatible with newer software applications. Additionally and in the past two years, the Department payroll support staff has been deeply and adversely affected by the departure of many experienced and knowledgeable staff members.

Shortly after the GSA initiative was terminated, the Department conducted analyses of the DFAS's payroll system and web-based time and attendance system functionalities, evaluated the favorable implementation cost estimates, and developed tentative strategies and plans to outsource the payroll functions to DFAS by Fall of 2003. At critical stages of this outsourcing initiative, the WCF Payroll Advisor Group has been consulted and the WCF Board has be apprised of the ongoing progress. As the Department achieves incremental successes and at critical milestones, the WCF Board will continue to be apprised and consulted on the progress of the outsourcing initiative and its financial impact to the WCF.

Business Line Officials

Assistant Business Line Manager
Jerry Odegard, Chief, Payroll Branch
jerry.odegard@hq.doe.gov
301-903-4934

Business Line Manager
Michele Cooley, Director, Employee Financial Service Division
michele.cooley@hq.doe.gov
301-903-3077

Financial Manager for Payroll
George M. Tengan, Deputy Director, Capital Accounting Center
george.Tengan@hq.doe.gov
301-903-5878

CHRIS Business Line

FY 2002 Annual Report

Financial Summary

FY 2002 Earnings *(millions)*	FY 2002 Expenses *(millions)*	Net Earnings FY 2002 *(millions)*	Net Earnings FY 1997-2002 *(millions)*
$2.2	$1.9	$0.3	$0.3

FY 2002 Achievements

Phase 5.1: Upgrade, Workflow, ESS Expansion

- PeopleSoft version 8 upgrade with the web architecture was completed February 2002.
- Training workflow became operational and the phased upgrade began in February 2002.
- Additional ESS functionality for Savings Bonds, Disability and Race, National Origin data went live in June 2002.
- Human resources workflow became operational and the phased upgrade began in July 2002.

Phase 5.2: PeopleSoft Tools Upgrade (8.18) September 2002.

Phase 5.3: Design and Test Training Workflow Upgrade and CPDF Edits completed in September 2002.

Background

The Corporate Human Resource Information System (CHRIS) is a nation-wide operational system within the Department of Energy that serves as the official system of record for human resource management information for all DOE employees. CHRIS is the foundation for the Enterprise Human Resources initiative in the Department's FY 2004 budget. CHRIS has been operational since September 1998 and continues to evolve as the corporate solution for many strategic and operational human capital management issues. The CHRIS project supports the Administration's strategic human capital management initiative and expands e-government within DOE. The CHRIS enterprise solution combines the highly skilled professionals of the Department with electronic workflow and other best practices in work processes with a web-based IT architecture and suite of software applications based on a world class commercial off-the-shelf (COTS) product (PeopleSoft 8).

The CHRIS project has expanded over the years to include an integrated modernization approach to meet human resource, training administration and information processing requirements; Employee Self-Service capabilities; an automated on-line vacancy application system (QuickHire), critical core competency certification processes, SF-52 tracking and on-line paperless transaction requests with electronic signatures (workflow).

The CHRIS system is a mixed life-cycle system. Each year, DOE extends the functionality of the system so the project core is in operations and maintenance mode while the new functionality is going through the development part of the project life-cycle. System activities under the CHRIS umbrella include interface with the legacy payroll system (modernization efforts underway for payroll, timekeeping, and labor distribution are now managed separately from the CHRIS Project based on the final decision to outsource these functions); development and implementation of PeopleSoft COTS to support personnel and training processing and information; provision of Employee Self-Service (ESS) which provides web-based access at the employee desktop to personnel and payroll information and the capability to update certain personal information; and interfaces with DOEInfo, the Department's data repository for human resource and payroll information and DISCAS, the current financial management system. Future interfaces to Phoenix, e-Travel, and Procurement Modernization are planned.

Defining Success

The goals of the CHRIS System are to provide the highest quality human resource management information and services to the Department of Energy's managers, employees and human resource/training professionals and to operate the official HRM system of record in a cost-efficient manner.

To achieve these goals, the Department's primary objectives for CHRIS are to:

- provide superior customer service through strong teamwork, effective problem solving and timely responses
- protect the integrity and security of the HRM data
- enhance operational efficiencies
- reduce paperwork
- eliminate redundant information systems
- eliminate non-value added work
- provide information necessary to make sound human resource decisions.

Specific Metrics for FY 2002:

- Completed 62% of actions via Employee Self-Service (ESS).
- 1,248 jobs were announced from Oct 1, 2001 - Sept 23, 2002 in DOE's automated recruitment system based on QuickHire. Those jobs covered 116 job series and 37,376 applicants registered in the system.
- The DOE JOBSline/QuickHire interface was implemented on April 16th, 2002.

Financial Overview

The CHRIS business line earned $0.2 million in excess of expenses in FY 2002. This performance is due largely to charging expenses to funding accounts that previously supported this activity.

Business Line Officials

CHRIS Project Manager	Michael B. Fraser	202-586-1910

HRMS and Benefits Team Leader	Enid Levine	202-586-1194

Online Learning Business Line

FY 2002 Annual Report

Financial Summary

FY 2002 Earnings *(millions)*	FY 2002 Expenses *(millions)*	Net Earnings FY 2002 *(millions)*	Net Earnings FY 1997-2002 *(millions)*
$0.3	$0.3	$0.0	$0.0

FY 2002 Achievements

$ Fiscal Year 2002 was the first full year of operation for the Energy OLC. A total of 4,077 subscriptions were purchased by 35 organizations to provide employees access to over 1,700 NetG and SkillSoft courses.

$ 1,557 commercial courses were completed through the end of FY02 and 8,113 employees accessed courses.

$ The OLC offered 13 DOE specific courses, a 50% increase over last year.

$ 6,710 employees completed the 2001 Annual Ethics Training.

$ Use of the OLC has increased by 100% over last year.

$ The OLC was successfully integrated with five of seven of the Human Capital Management initiatives for which ME-51 had responsibility.

$ The Energy OLC received the 2002 IT Quality Award for Technical Excellence from the Office of Chief Information Officer.

Background

The vision of the Energy OLC is to provide the entire DOE Community with needs based, technology enriched, learning development and knowledge management opportunities through implementation of efficient and effective blended e-learning strategies and solutions. The Energy OLC has been structured to meet DOE needs with a customized access process and DOE specific content and information.

The Energy OLC resides on a server located at the vendor's (Meridian KSI, Inc.) location. Employees have access 24 hours a day 7 days a week. The Energy OLC offers a large inventory of courses. Over 1900 self-paced business, management, leadership, and information technology courses have been made available. These courses are procured through a Memorandum of Agreement (MOA) with the U.S. Department of the Treasury Franchise Business Activity (FBA). The National Security Agency negotiated a contract with the course vendors, SkillSoft and NetG, to obtain commercial off-the-shelf (COTS) online courses for Federal agencies at a reduced cost; however, it has shifted the responsibility for contract management and funds accounting to the Treasury Department. The Energy OLC was approved as a business line within the Working Capital Fund and began formal operation as a business in FY2002. Organizations support the Energy OLC through purchasing access to COTS courses and paying a prorated amount for user access fees and maintenance support. There are also DOE-specific courses that have been made available to employees. Additional mission related DOE courses and content will be posted on the Energy OLC in the future.

In addition to online learning, the Energy OLC offers other training related functions that include an administration function allowing the user to have access to transcript information consisting of a list of courses accessed, courses completed, credit hours earned, test scores and course evaluations. There is also a reporting capability, sorted by organization, of employee training related data and information. Other functions of the Energy OLC offer knowledge management capabilities such as posting and sharing technical papers, presentations, videos, DOE standards and guidelines, reference materials and information and other learning materials.

Defining Success

The OLC supports DOE mission related programs by delivering training to the Desktop for real-time skills enhancement and formal training at low cost and with little disruption to the employee's workplace. We use the following metrics to measure our performance:

- Number of new enrollments – 4,912
- Number of active users – 8,113
- Number of logins – 21,255
- Number of course accessions – 35,121
- Number of course completions – 8,433

Online Learning Business Balanced Scorecard Objectives

<table>
<tr><td></td><td>Customer
Provide high quality, standardized, cost-effective learning opportunities on a much more timely basis.</td><td></td></tr>
<tr><td>Financial
Provide a low cost training alternative to program offices.</td><td></td><td>Internal Processes
Review options for delivering online courses to the DOE.</td></tr>
<tr><td></td><td>Learning and Growth
Ensure that learning and growth occurs continuously.</td><td></td></tr>
</table>

Business Line Projections

a. Fixed Base Costs

<u>Meridian KSI Vendor</u>

Annual Maintenance Fee	$10K
Annual Knowledge Center Hosting Fee	$15K
Site Customization	<u>$84K</u>
-User and Security Controls	
-Course Postings and Links	
-Energy OLC Data Transfer to CHRIS	
Total	**$109K**

b. Variable Costs

<u>Department of the Treasury MOA</u>

SkillSoft Courses	$35 per user per year unlimited access to courses
NetG Courses	$40 per user year unlimited access to courses

Total $200K

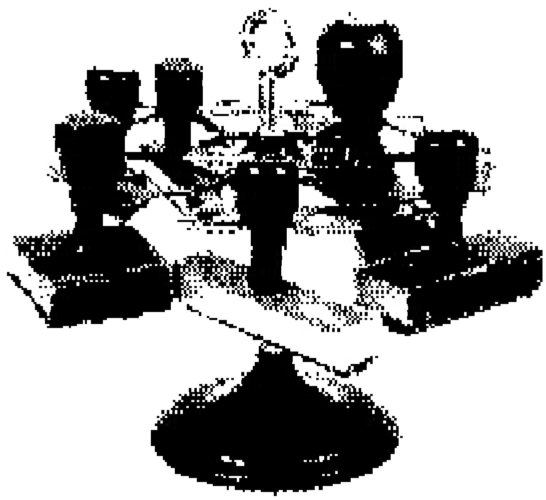
Financial Overview

The Online Learning business line broke even for FY 2002 its first year of operations.

Business Line Officials

Program Manager Tanya Luckett 202-287-1655

Appendices



Appendix 1: Six Years of Net Earnings

DEPARTMENT OF ENERGY
WORKING CAPITAL FUND
FY 1997 - FY 2001

	Cumulative	FY 2002	FY 2001	FY 2000	FY 1999	FY 1998	FY 1997
Revenues ($million)							
Supply	$ 13.1	$ -	$ 2.0	$ 2.8	$ 3.0	$ 2.8	$ 2.6
PAPERCLIPS	4.8	3.3	1.5	0.0	0.0	0.0	0.0
Mail	11.2	2.0	0.7	1.6	2.7	1.9	2.2
Copy	14.5	2.0	1.8	2.7	3.1	2.7	2.2
Print	21.4	3.2	3.1	3.5	4.4	3.3	3.9
Bldg	339.8	56.7	56.4	57.4	57.4	55.5	56.4
Phone	40.2	6.8	6.8	7.0	6.3	6.6	6.8
Desk	9.2	1.2	1.2	1.4	1.6	1.5	2.3
Netwk	24.9	6.2	6.2	3.2	3.1	3.1	3.1
Audit	9.1	0.0	0.0	0.0	0.0	0.0	9.1
Closeout	3.4	0.7	0.7	0.5	0.6	0.4	0.4
Payroll	12.5	3.1	3.1	2.2	2.1	1.9	0.0
CHRIS	2.2	2.2	0.0	0.0	0.0	0.0	0.0
OLC	0.3	0.3	0.0	0.0	0.0	0.0	0.0
EIS	0.1	0.0	0.0	0.1	0.1	0.0	0.0
Subtotal	$ 506.7	$ 87.7	$ 83.5	$ 82.5	$ 84.3	$ 79.8	$ 89.0
Costs ($million)							
Supply	$ 14.1	$ -	$ 2.4	$ 3.2	$ 2.4	$ 2.8	$ 3.4
PAPERCLIPS	4.8	3.3	1.5	0.0	0.0	0.0	0.0
Mail	11.6	2.4	0.8	2.0	2.7	1.8	1.9
Copy	14.3	3.1	1.4	2.6	2.8	2.3	2.1
Print	20.9	3.2	2.6	3.5	4.4	2.8	4.4
Bldg	331.3	55.1	51.7	57.6	56.0	54.0	56.8
Phone	48.9	14.3	6.6	7.0	7.2	7.1	6.6
Desk	9.6	1.2	1.3	1.5	2.6	0.6	2.4
Netwk	24.5	6.1	7.0	3.2	2.5	2.9	2.7
Audit	9.1	0.0	0.0	0.0	0.0	0.0	9.1
Closeout	3.1	0.7	0.6	0.5	0.6	0.3	0.4
Payroll	10.5	1.6	2.1	2.5	2.9	1.4	0.0
CHRIS	1.9	1.9	0.0	0.0	0.0	0.0	0.0
OLC	0.3	0.3	0.0	0.0	0.0	0.0	0.0
EIS	0.1	0.0	0.0	0.1	0.1	0.0	0.0
Subtotal	$ 505.0	$ 93.2	$ 78.0	$ 83.8	$ 84.2	$ 76.1	$ 89.7
Net Earnings ($million)							
Supply	$ (1.0)	$ -	$ (0.4)	$ (0.4)	$ 0.6	$ (0.0)	$ (0.8)
PAPERCLIPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mail	-0.4	-0.4	-0.1	-0.4	0.1	0.0	0.4
Copy	0.2	-1.1	0.4	0.1	0.3	0.4	0.1
Print	0.5	0.0	0.5	0.0	0.0	0.5	-0.5
Bldg	8.6	1.6	4.8	-0.2	1.3	1.5	-0.4
Phone	-8.7	-7.5	0.2	0.0	-0.9	-0.6	0.2
Desk	-0.3	0.0	-0.1	0.0	-1.0	0.9	-0.1
Netwk	0.4	0.1	-0.8	0.0	0.5	0.2	0.4
Audit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Closeout	0.2	0.0	0.1	0.0	0.0	0.2	0.0
Payroll	2.1	1.5	1.1	-0.3	-0.8	0.5	0.0
CHRIS	0.3	0.3	0.0	0.0	0.0	0.0	0.0
OLC	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EIS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	$ 1.9	$ (5.5)	$ 5.7	$ (1.3)	$ 0.1	$ 3.6	$ (0.7)

Appendix 2: Six Years of Balances

Department of Energy
Working Capital Fund
Balance Sheet
Comparative Statements
(in thousands)

Assets	**FY02**	**FY01**	**FY00**	**FY99**	**FY98**	**FY97**
Fund Balance with Treasury	$ 48,197	$ 37,455	$ 30,168	$ 26,551	$ 25,827	$ 22,086
Accounts Receivable, Net	11	561	-			1,321
Advances and Prepayments	134	156	455	601	542	
Supplies Inventory	179	169	759	1,099	873	1,207
Property and Equipment, Net	1,680	11,603	12,534	12,489	14,155	12,135
Total Assets	50,201	49,944	43,916	40,740	41,397	36,749
Liabilities						
Accounts Payable	15,194	15,355	13,523	12,247	13,663	17,532
Unearned Advances from Customers	12,324	6,261	7,450	4,118	3,416	2,701
Contract Holdbacks	195	156	61	126	86	52
Total Liabilities	27,713	21,772	21,034	16,491	17,165	20,285
Net Position						
Total Invested Capital	18,545	18,545	18,545	18,545	18,545	17,350
Total Cum Results of Operations	3,943	9,627	4,337	5,704	5,687	(886)
Total Net Position	22,488	28,172	22,882	24,249	24,232	16,464
Total Liabilities and Net Position	$ 50,201	$ 49,944	$ 43,916	$ 40,740	$ 41,397	$ 36,749

Appendix 3: Statement of Operations

UNAUDITED

U. S. Department of Energy
Statement of Operations
Comparative Statements

89X4563 Intragovernmental Funds: Working Capital Fund

		For the year ending September 30, 2002		*For the year ending September 30, 2001*	
Revenues and Financing Sources:	BNR				
Revenues from Sales of Goods and Services					
Payroll and Other Personnel Services					
Revenue from Payroll Processing	ZN3010150	$3,100,000.00		$3,102,000.00	
Revenue from CHRIS	ZN3010600	$2,170,000.00			
Subtotal			$5,270,000.00		$3,102,000.00
Administrative Services					
Sales of Supplies	ZN3020410	3,298,426.41		3,451,514.44	
Sales of Mail Services	ZN3020420	1,996,565.00		678,847.00	
Sales of Photocopying Services	ZN3020430	2,029,586.38		1,810,164.22	
Sales of Printing and Graphics	ZN3020440	3,193,128.00		3,106,628.00	
Sales of Building Services	ZN3020450	56,687,226.83		56,416,912.61	
Subtotal			67,204,932.62		65,464,066.27
Information Management Services					
Sales of Telecommunications Services	ZN3030410	6,760,610.34		6,843,248.57	
Sales of Office Automation Services	ZN3030420	1,182,441.18		1,199,083.10	
Sales of Networking Services	ZN3030430	6,167,432.33		6,137,841.15	
Subtotal			14,110,483.85		14,180,172.82
Procurement Services					
Sales of Contract Audits	ZN3040410	0.00		0.00	
Sales of Contract Closeouts	ZN3040420	761,240.00		703,320.00	
Subtotal			761,240.00		703,320.00
Executive Information Services					
Revenue from Executive Information Servic	ZN3050300	287,567.00		0.00	
Subtotal			287,567.00		0.00
Total Revenues from Sales of Goods and Services			87,634,223.47		83,449,559.09
TOTAL REVENUES AND FINANCING SOURCES			$87,634,223.47		$83,449,559.09
Expenses:					
Cost of Goods and Services Provided					
Payroll and Other Personnel Services					
Cost of Payroll Processing	WF1050000	$1,633,816.61		$2,029,108.07	
Cost of CHRIS Operations & Maintenance	WF1060000	$1,917,284.29			
Subtotal			$3,551,100.90		$2,029,108.07
Administrative Services					
Cost of Supplies	WF2041000	3,251,086.72		3,965,347.59	
Cost of Mail Services	WF2042000	2,444,571.31		742,441.49	
Cost of Photocopying Services	WF2043000	3,147,999.92		1,376,327.01	
Cost of Printing and Graphics	WF2044000	3,201,438.62		2,584,601.92	
Cost of Building Services	WF2045000	54,174,980.84		50,753,099.08	
Cost of Electronic Services	WF2046000	890,140.65		899,959.21	
Subtotal			67,110,218.06		60,321,776.30
Information Management Systems and Operations					

Appendix 4: Balance Sheet

UNAUDITED

U. S. Department of Energy
Balance Sheet
Detailed Statement

89X4563 Intragovernmental Funds: Working Capital Fund

	As of September 30, 2002		*As of September 30, 2001*	
ASSETS:				
Fund Balance with Treasury (BSC 1110) (cash available		$48,196,782.01		$37,454,753.79
Accounts Receivable, Net (BSC 1442) (amounts due fro		0.00		0.00
Accounts Receivable, Net (BSC 1433) (refunds due fron		11,416.05		561,435.58
Advances and Prepayments (BSC 1811/1812) (postage p		133,847.00		156,076.00
Supplies Inventory (BSC 1691) (amount in supplies inven		179,075.87		168,455.67
Property and Equipment, Net				
Original Purchase Price of Property and Equipment (BS				
Purchase Price of Communications Systems	19,856,579.03		19,856,579.03	
Purchase Price of Heavy Mobile Equipment	84,414.37		84,414.37	
Purchase Price of Motor Vehicles	61,223.14		61,223.14	
Purchase Price of Office Furniture & Equipment	32,390.00		1,494,858.00	
Purchase Price of Automatic Data Processing Equipm	862,089.65		695,718.76	
Purchase Price of Automatic Data Processing Softwa	0.00		0.00	
Total Purchase Price	20,896,696.19		22,192,793.30	
LESS: Accumulated Depreciation of Property and Equip				
Accum. Dep. of Communication Systems	18,705,465.62		8,884,245.28	
Accum. Dep. of Heavy Mobile Equipment	70,094.11		61,656.07	
Accum. Dep. of Motor Vehicles	61,223.14		53,345.41	
Accum. Dep. of Office Furniture & Equipment	17,487.02		1,292,508.83	
Accum. Dep. of Automatic Data Processing Equipmer	362,361.92		297,757.35	
Accum. Dep. of Automatic Data Processing Software	0.00		0.00	
Total Accumulated Depreciation	19,216,631.81		10,589,512.94	
		1,680,064.38		11,603,280.36
TOTAL ASSETS		50,201,185.31		49,944,001.40
LIABILITIES				
Accounts Payable (BSC 3212) (amounts owed to non-Fe		9,820,623.06		7,352,828.22
Accounts Payable (BSC 3211) (amounts owed to Federa		5,373,732.81		8,002,189.17
Advances from Other DOE Locations (BSC 3511)		12,323,884.29		6,261,415.03
Contract Holdbacks (BSC 3951) (amounts held back fron		194,773.45		155,815.09
Unearned Advances from Customers (BSC 3913) (paym		0.00		0.00
TOTAL LIABILITIES		$27,713,013.61		$21,772,247.51
NET POSITION				
Invested Capital (BSC 8152) (initial PPE and uncosted b	14,286,115.73		14,286,115.73	
Adjustments to Invested Capital (adjustments needed to I	4,259,054.67		4,259,054.67	
Total Invested Capital		18,545,170.40		18,545,170.40
Cumulative Results of Operations (difference between re	8,202,055.97		13,885,638.16	
Adjustments to Cumulative Results of Operations (adjust	-4,259,054.67		-4,259,054.67	
Total Cumulative Results of Operations		3,943,001.30		9,626,583.49
TOTAL NET POSITION		$22,488,171.70		$28,171,753.89
TOTAL LIABILITIES AND NET POSITION		$50,201,185.31		$49,944,001.40